



Mitchell Interflex Limited

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ANNUAL REPORT & ACCOUNTS

AUGUST 2003

Registered number: 2724470

Ashworth Moulds
Chartered Accountants
Registered Auditors
11, Nicholas Street,
BURNLEY.
Lancashire
BB11 2AL



MITCHELL INTERFLEX LIMITED

COMPANY INFORMATION

Directors

R Mitchell
A B Mitchell
L J Mitchell
R J Samuels

Secretary

A B Mitchell

Company number

2724470 (England and Wales)

Registered office

County Brook Mill
Foulridge
Colne
Lancashire
BB8 7LT

Auditors

Ashworth Moulds
11 Nicholas Street
Burnley
Lancashire
BB11 2AL

Bankers

National Westminster Bank PLC
1 Church Street
Colne
Lancashire
BB8 0ED

MITCHELL INTERFLEX LIMITED

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MITCHELL INTERFLEX LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 2003

The directors present their report and financial statements for the year ended 31 August 2003.

Principal activities and review of the business

The principal activity of the company continued to be that of manufacture and merchandising of textiles and leisure goods.

The results for the year and the financial position at the year end were considered satisfactory by the directors who expect growth in the foreseeable future. Sales have been maintained despite continuing difficult market conditions. However, margins have deteriorated due to the increased cost of imported yarns.

Results and dividends

The results for the year are set out on page 4.

The directors do not recommend the payment of a dividend.

Market value of land and buildings

In the opinion of the directors the market value of land and buildings exceeds the current net book value.

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.

Future developments

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

Directors

The following directors have held office since 1 September 2002:

R Mitchell
A B Mitchell
L J Mitchell
R J Samuels

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £1 each	
	31 August 2003	1 September 2002
R Mitchell	20	20
A B Mitchell	239,990	239,990
L J Mitchell	239,990	239,990
R J Samuels	-	-

Auditors

During the year, the company's auditors, Stansfield Westmore, merged their practice with Ashworth Moulds. In accordance with section 385 of the Companies Act 1985, a resolution proposing that Ashworth Moulds be reappointed as auditors of the company will be put to the Annual General Meeting.

MITCHELL INTERFLEX LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2003

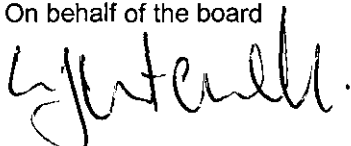
Directors' responsibilities

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 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume 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 and detection of fraud and other irregularities.

On behalf of the board



L. J. Mitchell

Director

4 November 2003

MITCHELL INTERFLEX LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MITCHELL INTERFLEX LIMITED

We have audited the financial statements on pages 4 to 17 for the year ended 31 August 2003. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 1985. 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.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

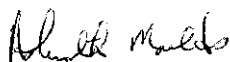
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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 31 August 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ashworth Moulds



4 November 2003

Chartered Accountants
Registered Auditor

11 Nicholas Street
Burnley
Lancashire
BB11 2AL

MITCHELL INTERFLEX LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 AUGUST 2003

		Year ended 31 August 2003 £	Year ended 31 August 2002 £
	Notes		
Turnover	2	3,666,467	3,668,674
Cost of sales		(3,221,714)	(3,041,039)
Gross profit		444,753	627,635
Distribution costs		(195,592)	(183,971)
Administrative expenses		(324,657)	(340,961)
Operating (loss)/profit	3	(75,496)	102,703
Other interest receivable and similar income		345	141
Interest payable and similar charges	4	(22,885)	(22,454)
(Loss)/profit on ordinary activities before taxation		(98,036)	80,390
Tax on (loss)/profit on ordinary activities	5	19,565	(16,378)
(Loss)/profit on ordinary activities after taxation		(78,471)	64,012
Dividends	6	-	(60,000)
Retained (loss)/profit for the year	16	(78,471)	4,012

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

The notes on pages 8 - 17 form an integral part of these accounts.

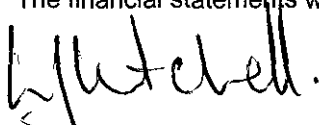
MITCHELL INTERFLEX LIMITED

BALANCE SHEET AS AT 31 AUGUST 2003

	Notes	2003		2002	
		£	£	£	£
Fixed assets					
Tangible assets	7		739,731		813,683
Investments	8		962,400		962,400
			<u>1,702,131</u>		<u>1,776,083</u>
Current assets					
Stocks	9	718,883		674,965	
Debtors	10	983,346		797,410	
Cash at bank and in hand		14,510		157,864	
		<u>1,716,739</u>		<u>1,630,239</u>	
Creditors: amounts falling due within one year	11	(2,396,633)		(2,232,765)	
Net current liabilities			<u>(679,894)</u>		<u>(602,526)</u>
Total assets less current liabilities			1,022,237		1,173,557
Creditors: amounts falling due after more than one year	12		(291,128)		(360,639)
Provisions for liabilities and charges	13		<u>(10,698)</u>		<u>(14,036)</u>
			<u>720,411</u>		<u>798,882</u>
Capital and reserves					
Called up share capital	15	480,000		480,000	
Profit and loss account	16	240,411		318,882	
Shareholders' funds - equity interests	17		<u>720,411</u>		<u>798,882</u>

The notes on pages 8 - 17 form an integral part of these accounts.

The financial statements were approved by the Board on 4 November 2003


L J Mitchell
Director

MITCHELL INTERFLEX LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 AUGUST 2003

	Year ended 31 August 2003		Year ended 31 August 2002	
	£	£	£	£
Net cash (outflow)/inflow from operating activities		(91,194)		245,487
Returns on investments and servicing of finance				
Interest received	345		141	
Interest paid	(21,509)		(21,085)	
Interest element of finance lease rentals	(1,376)		(1,369)	
Net cash outflow for returns on investments and servicing of finance		(22,540)		(22,313)
Taxation		(499)		(12,758)
Capital expenditure				
Payments to acquire tangible assets	(63,985)		(339,657)	
Receipts from sales of tangible assets	14,280		28,593	
Net cash outflow for capital expenditure		(49,705)		(311,064)
Equity dividends paid		-		(60,000)
Net cash outflow before management of liquid resources and financing		(163,938)		(160,648)
Financing				
New long term bank loan	-		300,000	
Repayment of long term bank loan	(83,652)		(91,099)	
Capital element of hire purchase contracts	(2,329)		(15,685)	
Net cash (outflow)/inflow from financing		(85,981)		193,216
(Decrease)/increase in cash in the year		(249,919)		32,568

MITCHELL INTERFLEX LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 AUGUST 2003

1	Reconciliation of operating (loss)/profit to net cash (outflow)/inflow from operating activities	2003		2002	
		£		£	
	Operating (loss)/profit	(75,496)		102,703	
	Depreciation of tangible assets	126,152		138,477	
	Profit on disposal of tangible assets	(2,495)		(8,891)	
	Increase in stocks	(43,918)		(35,798)	
	(Increase)/decrease in debtors	(185,936)		82,554	
	Increase/(decrease) in creditors within one year	90,499		(33,558)	
	Net cash (outflow)/inflow from operating activities	(91,194)		245,487	
2	Analysis of net debt	1 September 2002	Cash flow	Other non-cash changes	31 August 2003
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	157,864	(143,354)	-	14,510
	Bank overdrafts	-	(106,565)	-	(106,565)
		<u>157,864</u>	<u>(249,919)</u>	<u>-</u>	<u>(92,055)</u>
	Debt:				
	Finance leases	(2,329)	2,329	-	-
	Debts falling due within one year	(96,556)	14,141	-	(82,415)
	Debts falling due after one year	(360,639)	69,511	-	(291,128)
		<u>(459,524)</u>	<u>85,981</u>	<u>-</u>	<u>(373,543)</u>
	Net debt	(301,660)	(163,938)	-	(465,598)
3	Reconciliation of net cash flow to movement in net debt	2003		2002	
		£		£	
	(Decrease)/increase in cash in the year	(249,919)		32,568	
	Cash outflow/(inflow) from decrease/(increase) in debt and lease financing	85,981		(177,716)	
	Movement in net debt in the year	(163,938)		(145,148)	
	Opening net debt	(301,660)		(156,512)	
	Closing net debt	(465,598)		(301,660)	

MITCHELL INTERFLEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2003

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.3 Tangible fixed assets and depreciation

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Land and buildings Freehold	2% on cost
Land and buildings Leasehold	2% on cost
Plant and machinery	15% on cost
Motor vehicles	25% on cost

1.4 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.5 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.6 Stock and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads

1.7 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS 17.

1.8 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method.

1.9 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

1.10 Interest

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

MITCHELL INTERFLEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2003

1 Accounting policies

(continued)

1.11 Group accounts

The company and its subsidiaries comprise a medium group. The company has therefore taken advantage of the exemption provided by section 248 of the Companies Act 1985 not to prepare group accounts.

2 Turnover

Geographical market

	Turnover	
	2003	2002
	£	£
United Kingdom	3,054,187	3,078,972
Other EU countries	519,708	561,173
North America	1,952	1,300
Far East	73,660	15,085
Australasia	12,625	7,717
Africa	942	764
Europe (Non EU)	3,393	3,663
	<u>3,666,467</u>	<u>3,668,674</u>

3 Operating (loss)/profit

	2003	2002
	£	£
Operating (loss)/profit is stated after charging:		
Depreciation of tangible assets	126,152	138,477
Loss on foreign exchange transactions	3,826	3,154
Operating lease rentals		
- Plant and machinery	37,644	31,190
Auditors' remuneration	22,400	22,000
and after crediting:		
Profit on disposal of tangible assets	(2,495)	(8,891)
	<u>(2,495)</u>	<u>(8,891)</u>

4 Interest payable

	2003	2002
	£	£
On bank loans and overdrafts	21,276	14,565
Lease finance charges and hire purchase interest	1,609	2,909
Other interest	-	4,980
	<u>22,885</u>	<u>22,454</u>

MITCHELL INTERFLEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2003

5	Taxation	2003 £	2002 £
	Domestic current year tax		
	U.K. corporation tax	-	18,300
	Adjustment for prior years	(16,227)	658
	Current tax charge	(16,227)	18,958
	Deferred tax		
	Deferred tax charge/credit current year	(3,338)	(2,580)
		(19,565)	16,378
	Factors affecting the tax charge for the year		
	(Loss)/profit on ordinary activities before taxation	(98,036)	80,390
	(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 0.00% (2002: 19.58%)	-	15,740
	Effects of:		
	Non deductible expenses	-	757
	Depreciation add back	-	25,374
	Capital allowances	-	(23,571)
	Adjustments to previous periods	(16,227)	658
		(16,227)	3,218
	Current tax charge	(16,227)	18,958
6	Dividends	2003 £	2002 £
	Ordinary interim paid	-	60,000

MITCHELL INTERFLEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2003

7 Tangible fixed assets

	Land and buildings Freehold £	Land and buildings Leasehold £	Plant and machinery £	Motor vehicles £	Total £
Cost					
At 1 September 2002	40,460	528,586	1,092,334	40,439	1,701,819
Additions	5,619	-	25,566	32,800	63,985
Disposals	-	-	(264)	(34,319)	(34,583)
At 31 August 2003	46,079	528,586	1,117,636	38,920	1,731,221
Depreciation					
At 1 September 2002	8,819	16,098	837,401	25,818	888,136
On disposals	-	-	516	(20,819)	(20,303)
Charge for the year	809	10,571	104,486	7,791	123,657
At 31 August 2003	9,628	26,669	942,403	12,790	991,490
Net book value					
At 31 August 2003	36,451	501,917	175,233	26,130	739,731
At 31 August 2002	31,641	512,488	254,933	14,621	813,683

Included above are assets held under finance leases or hire purchase contracts as follows:

	Motor vehicles £
Net book values	
At 31 August 2003	-
At 31 August 2002	14,640
Depreciation charge for the year	
31 August 2003	1,020
31 August 2002	7,298

MITCHELL INTERFLEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2003

8 Fixed asset investments

	Shares in subsidiary undertakings £
Cost	
At 1 September 2002 & at 31 August 2003	962,400

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Class	Shares held %
Subsidiary undertakings			
Tradeluxe Limited	UK	Ordinary	100
Mitchell Interflex 1996 Limited	UK	Ordinary	100
County Brook Mill Company Limited	UK	Ordinary	100
Mitchell Interflex Leisure Limited	UK	Ordinary & Prefs	100

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves 2003 £	Profit for the year 2003 £
Tradeluxe Limited	275,144	-
Mitchell Interflex 1996 Limited	1,272,682	-
County Brook Mill Company Limited	215,562	-
Mitchell Interflex Leisure Limited	30,230	-

9 Stocks and work in progress

	2003 £	2002 £
Raw materials and consumables	181,472	152,230
Work in progress	537,411	522,735
	718,883	674,965

MITCHELL INTERFLEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2003

10 Debtors	2003 £	2002 £
Trade debtors	818,437	637,097
Amounts owed by subsidiary undertakings	111,000	111,000
Prepayments and accrued income	53,909	49,313
	<u>983,346</u>	<u>797,410</u>

11 Creditors: amounts falling due within one year	2003 £	2002 £
Bank loans and overdrafts	188,980	96,556
Net obligations under finance leases and hire purchase contracts	-	2,329
Trade creditors	539,181	417,953
Amounts owed to subsidiary undertakings	1,485,309	1,485,309
Corporation tax	1,574	18,300
Other taxes and social security costs	108,925	96,749
Directors' current accounts	7,921	31,800
Other creditors	15,280	-
Accruals and deferred income	49,463	83,769
	<u>2,396,633</u>	<u>2,232,765</u>

Net obligations under finance leases and hire purchase contracts

Repayable within one year	-	2,562
Finance charges and interest allocated to future accounting periods	-	(233)
	<u>-</u>	<u>2,329</u>

MITCHELL INTERFLEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2003

12 Creditors: amounts falling due after more than one year	2003 £	2002 £
Bank loans	291,128	360,639
Analysis of loans		
Wholly repayable within five years	373,543	457,195
	373,543	457,195
Included in current liabilities	(82,415)	(96,556)
	291,128	360,639
Loan maturity analysis		
In more than one year but not more than two years	50,650	70,268
In more than two years but not more than five years	115,866	133,986
In more than five years	124,613	156,385

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

13 Provisions for liabilities and charges

	Deferred tax liability £
Balance at 1 September 2002	14,036
Profit and loss account	(3,338)
Balance at 31 August 2003	10,698

The deferred tax liability is made up as follows:

	2003 £	2002 £
Accelerated capital allowances	15,450	18,788
Other timing differences	(4,752)	(4,752)
	10,698	14,036

MITCHELL INTERFLEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2003

14 Pension costs

Defined contribution

The company operates a defined contribution pension 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. Contributions totalling £25,008 (2002-£25,008) were payable to the fund at the year end and are included in creditors.

	2003 £	2002 £
Contributions payable by the company for the year	49,674	50,523

15 Share capital

	2003 £	2002 £
Authorised		
1,000,000 Ordinary shares of £1 each	1,000,000	1,000,000
Allotted, called up and fully paid		
480,000 Ordinary shares of £1 each	480,000	480,000

16 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 September 2002	318,882
Retained loss for the period	(78,471)
Balance at 31 August 2003	240,411

17 Reconciliation of movements in shareholders' funds

	2003 £	2002 £
(Loss)/Profit for the financial year	(78,471)	64,012
Dividends	-	(60,000)
Net (depletion in)/addition to shareholders' funds	(78,471)	4,012
Opening shareholders' funds	798,882	794,870
Closing shareholders' funds	720,411	798,882

MITCHELL INTERFLEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2003

18 Financial commitments

At 31 August 2003 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings			Other
	2003	2002	2003	2002
	£	£	£	£
Expiry date:				
Within one year	10,000	-	1,032	1,032
Between two and five years	-	-	31,210	31,210
	<u>10,000</u>	<u>-</u>	<u>32,242</u>	<u>32,242</u>

19 Directors' emoluments

	2003	2002
	£	£
Emoluments for qualifying services	161,448	198,318
Company pension contributions to money purchase schemes	37,225	37,225
	<u>198,673</u>	<u>235,543</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 3 (2002- 3).

MITCHELL INTERFLEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2003

20 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2003 Number	2002 Number
Production staff	35	36
Office and management	5	6
Selling and distribution	1	1
	<u>41</u>	<u>43</u>

Employment costs

	£	£
Wages and salaries	754,252	769,392
Social security costs	67,883	68,130
Other pension costs	49,674	50,523
	<u>871,809</u>	<u>888,045</u>

21 Control

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