

166534

237

DELOITTE
HASKINS & SELLS

PATONS & BALDWINS, LIMITED

Reports and financial statements
for the year ended 31st December 1982



PATONS & BALDWIN, LIMITED

CONTENTS

	<u>Page</u>
Directors' and company information	1
Directors' report	2 & 3
Accounting policies	4
Consolidated profit and loss account	5
Consolidated balance sheet	6
Balance sheet	7
Notes to the financial statements	8 -14
Report of the auditors	15

PATONS & BALDWIN, LIMITED

DIRECTORS

C.M. Bell (Chairman)
A.L. Henderson (Managing Director)
F.T. Guest (resigned 30th July 1982)
J.C. Hawthorne
M.W.G. Henderson
J.M. Houston
T.A. Waites

REGISTERED OFFICE

McMullen Road
Darlington

SECRETARY

G.H. Long

AUDITORS

Deloitte Haskins & Sells,
Hadrian House,
Higham Place,
Newcastle upon Tyne.

BANKERS

Lloyds Bank Limited
Darlington

PATONS & BALDWINS, LIMITED

DIRECTORS' REPORT

To be presented to the sixty fourth annual general meeting of shareholders to be held at the registered office of the company, McMullen Road, Darlington, on 8th March 1983.

RESULTS

The group profit for the year ended 31st December 1982 after provision for taxation and extraordinary item is £1,340,423, out of which a dividend of £1,000,000 has been declared.

PRINCIPAL ACTIVITIES

The principal activities of the group are the production and sale of handknitting and rug yarns and yarns for industrial purposes, together with the sale of knitting and rugmaking accessories and publications.

DIRECTORS

The directors of the company are listed on page 1.

DIRECTORS' INTERESTS

Mr. C.M. Bell's shareholdings in Coats Patons plc are shown in their accounts. None of the other directors held any shares in the issued share capital of the company or the parent company, Coats Patons plc.

SOURCE AND APPLICATION OF FUNDS

The relevant information is incorporated in the source and application of funds statement in the financial statements of the ultimate holding company, Coats Patons plc.

PATONS & BALFOUTS, LIMITED

DIRECTORS' REPORT (Continued)

REORGANISATION/DEVELOPMENT

A major project costing over £5 million for the modernisation of the company's Worsted plant at Kilncraigs Mill was sanctioned towards the end of the year and it is planned to complete the whole project within two years.

Elsewhere the process of rationalisation has continued with the cessation of all production processes at Greenock and a cut-back in operations at Wakefield. Since the year end the wholesale operation of Southdown Wools has been closed.

AUDITORS

In accordance with Section 14 of the Companies Act 1976, a resolution proposing the reappointment of Deloitte Haskins & Sells as auditors to the company will be put to the annual general meeting.

BY ORDER OF THE BOARD

A. M. Mowat

Secretary

1st March 1983

PATONS & BALDWIN, LIMITED

ACCOUNTING POLICIES

CONSOLIDATION

All subsidiary companies' financial statements are prepared to 31st December.

FOREIGN EXCHANGE

Profits in foreign subsidiaries and the associate are converted at the rates of exchange ruling at 31st December each year, the date to which the financial statements are drawn. Fixed assets in foreign currencies are converted to sterling at the rates ruling at the time of purchase. Current assets and liabilities are converted at the rates ruling at 31st December. All exchange differences on the conversion of balance sheet items after any related tax adjustments are transferred directly to reserve.

ASSOCIATED COMPANY

The proportion of the profits for the year applicable to the group is included in the profit and loss account. The group's investment in the shares of the associate is shown in the balance sheet at directors' valuation.

STOCKS

Stocks have been valued at the lower of cost and net realisable value. Costs are established on the basis of existing levels of production in each fully operating manufacturing unit and include appropriate overheads.

DEPRECIATION

Fixed assets are depreciated evenly over their estimated useful lives. Land is not depreciated. Assets qualifying for capital grants are depreciated on the basis of full cost. The principal rates of depreciation are shown in note 5 on page 11.

RESEARCH AND DEVELOPMENT

This expenditure is written off in the year in which it is incurred.

TAXATION

Provision is made for deferred taxation, at the current rate, except where there is a reasonable probability that no such liability will arise in the foreseeable future. No provision is made for taxation that will arise on the remittance of profits by overseas subsidiaries.

CAPITAL GRANTS

Capital grants receivable in respect of each year's capital expenditure are credited, net of any necessary tax adjustments, to the profit and loss account evenly over a period of ten years.

TURNOVER

Turnover represents net sales to customers outside the Patons & Baldwins, Limited group.

PATONS & BALDWINS, LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 1982

	<u>Note</u>	<u>1982</u> £	<u>1981</u> £
TURNOVER		£ 28,812,273	£ 38,465,035
Trading profit	1	1,647,870	611,590
Interest	2	(150,154)	(573,825)
		1,497,716	37,765
Share of profit of associated company		180,245	416,823
Surplus on disposal of fixed assets		67,005	151,305
Reorganisation costs		(280,834)	-
PROFIT BEFORE TAXATION		1,464,132	605,893
Taxation	3	(81,068)	(625,302)
PROFIT/(LOSS) AFTER TAXATION		1,383,064	(19,409)
Capital grants		92,490	76,423
PROFIT BEFORE EXTRAORDINARY ITEM		1,475,554	57,014
Extraordinary item	4	(135,131)	(117,232)
PROFIT/(LOSS) AFTER TAXATION AND EXTRAORDINARY ITEM		1,340,423	(60,218)
Dividend		(1,000,000)	(1,500,000)
INCREASE/(DECREASE) IN RETAINED PROFIT		£ 340,423	£ (1,560,218)

The comparative figures include the results of Patons & Baldwins Canada Inc., which subsidiary was sold on 22nd December 1981.

PATONS & BALDWIN, LIMITED

CONSOLIDATED BALANCE SHEET AT 31ST DECEMBER 1982

	Note	£	1982	£	£	1981	£
ASSETS EMPLOYED:							
FIXED ASSETS	5		6,489,870			6,673,823	
ASSOCIATED COMPANY Shares at valuation	7		1,350,000			1,280,000	
			<u>7,839,870</u>			<u>7,953,823</u>	
CURRENT ASSETS							
Stocks	9	9,076,998			9,733,629		
Debtors		5,395,447			5,324,203		
Cash and bank balances		58,917			58,020		
			<u>14,531,362</u>		<u>15,115,852</u>		
CURRENT LIABILITIES							
Creditors		2,133,052			2,529,202		
Taxation		23,035			59,468		
Bank overdraft		1,133,106			1,987,497		
Dividend declared		1,000,000			1,500,000		
			<u>4,289,193</u>		<u>6,076,167</u>		
NET CURRENT ASSETS			10,242,169			9,039,685	
			<u>18,082,039</u>			<u>16,993,508</u>	
GROUP COMPANIES	10						
Amounts receivable		2,848,754			3,840,882		
Amounts payable		(41,274)	2,807,480		(398,121)	3,442,761	
			<u>£ 20,889,519</u>		<u>£ 20,436,269</u>		
Financed by:							
SHARE CAPITAL	11		10,768,016			10,768,016	
RESERVES	12		9,792,870			9,388,356	
			<u>20,560,886</u>			<u>20,156,372</u>	
CAPITAL GRANTS			328,633			279,897	
			<u>£ 20,889,519</u>			<u>£ 20,436,269</u>	

These financial statements were approved by the board of directors on 1st March 1983 and were signed on its behalf by:-

A. L. He...)
M. J. ...) Directors

PATONS & BALDWIN, LIMITED

BALANCE SHEET AT 31ST DECEMBER 1982

	Note	£	1982	£	£	1981	£
ASSETS EMPLOYED:							
FIXED ASSETS	5		6,462,236			6,617,120	
SUBSIDIARY COMPANIES	8		<u>1,815,210</u>			<u>2,120,209</u>	
			8,277,446			8,737,329	
CURRENT ASSETS							
Stocks	9	8,611,709			9,013,317		
Debtors		4,744,585			4,587,405		
Cash and bank balances		<u>19,176</u>			<u>15,566</u>		
		13,375,470			13,616,288		
CURRENT LIABILITIES							
Creditors		1,998,391			2,323,542		
U.K. and overseas taxation		23,024			18,612		
Bank overdrafts		867,787			1,748,158		
Dividend declared		<u>1,000,000</u>			<u>1,500,000</u>		
		3,889,202			5,590,312		
NET CURRENT ASSETS			<u>9,486,268</u>			<u>8,025,976</u>	
			17,763,714			16,763,305	
GROUP COMPANIES							
Amounts receivable	10	2,860,367			3,823,212		
Amounts payable		<u>(14,772)</u>	<u>2,845,595</u>		<u>(393,926)</u>	<u>3,429,286</u>	
			£ 20,609,309			£ 20,192,591	
Financed by:							
SHARE CAPITAL	11		10,768,016			10,768,016	
RESERVES	12		<u>9,512,660</u>			<u>9,144,678</u>	
			20,280,676			19,912,694	
CAPITAL GRANTS			<u>328,633</u>			<u>279,897</u>	
			£ 20,609,309			£ 20,192,591	

These financial statements were approved by the board of directors on 1st March 1983 and were signed on its behalf by:-

A. H. He - 200)
 Directors
 (M. H. H.)

PATONS & BALDWIN, LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 1982

1. TRADING PROFIT

Trading profit is arrived at after charging:-

	<u>1982</u> £	<u>1981</u> £
Depreciation	456,352	635,643
Hire of plant and machinery	369,181	291,388
Auditors' remuneration	44,102	59,060
Directors' emoluments	125,247	142,098
Pensions in respect of former directors	34,301	35,037
Payments made during the year in connection with the retirement of directors	3,847	3,510
and after crediting:-		
Rental income	813,298	730,162
	<u><u> </u></u>	<u><u> </u></u>
Directors' emoluments in terms of the Companies Act 1967 - Chairman	£ Nil	£ Nil
	<u><u> </u></u>	<u><u> </u></u>
Highest paid director	£ 27,070	£ 26,441
	<u><u> </u></u>	<u><u> </u></u>
Number of other directors whose emoluments were within the ranges:		
£20,001 - £25,000	3	4
£15,001 - £20,000	1	-
£10,001 - £15,000	-	-
£ 5,001 - £10,000	-	1
£ 0 - £ 5,000	1	2
	<u><u> </u></u>	<u><u> </u></u>

2. INTEREST

	<u>1982</u> £	<u>1981</u> £
Interest on bank overdrafts	150,801	489,874
Interest on group loans	-	84,514
	<u> </u>	<u> </u>
	150,801	574,388
Less:		
Interest on associated company loan and group loans	647	563
	<u> </u>	<u> </u>
	£ 150,154	£ 573,825
	<u><u> </u></u>	<u><u> </u></u>

PATONS & BALDWINS, LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. TAXATION

	<u>1982</u> <u>£</u>	<u>1981</u> <u>£</u>
Current taxation:		
Corporation tax	80,757	281,270
Double tax relief	(80,757)	(254,451)
Overseas tax	81,068	598,483
	<hr/>	<hr/>
	£ 81,068	£ 625,302
	<hr/>	<hr/>

The corporation tax charge for the year has been reduced by £287,000 in respect of stock relief, £221,000 in respect of group relief received for which no payment is made, and £115,000 as a result of the utilisation of tax losses brought forward.

4. EXTRAORDINARY ITEM

	<u>1982</u> <u>£</u>	<u>1981</u> <u>£</u>
Gain on disposal of a subsidiary company	-	132,768
Closure costs	(135,131)	(250,000)
	<hr/>	<hr/>
	£ (135,131)	£ (117,232)
	<hr/>	<hr/>

PATONS & BALDWIN, LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. FIXED ASSETS

GROUP

	<u>Freehold</u> £	<u>Short , Leasehold</u> £	<u>Plant, Machinery etc.</u> £	<u>Total</u> £
COST				
At 1st January 1982	7,762,661	11,987	7,533,113	15,307,761
Capital expenditure	182,690	-	338,613	521,303
Group transfers	-	-	121,165	121,165
Disposals	(498,217)	-	(688,694)	(1,186,911)
At 31st December 1982	7,447,134	11,987	7,304,197	14,763,318
DEPRECIATION				
At 1st January 1982	3,529,149	9,987	5,094,502	8,633,938
Charge against profit	141,141	1,000	314,211	456,352
Group transfers	-	-	56,508	56,508
Disposals	(326,675)	-	(546,675)	(873,350)
At 31st December 1982	3,343,615	10,987	4,918,846	8,273,448
NET BOOK VALUE 1982	4,103,519	1,000	2,385,351	6,489,870
NET BOOK VALUE 1981	4,233,512	2,000	2,438,311	6,673,823

FATONS & BALDWIN, LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. FIXED ASSETS
COMPANY

	Freehold Land and Buildings £	Plant, Machinery etc. £	Total £
COST			
As at 1st January 1982	7,762,661	7,392,388	15,155,049
Capital expenditure	182,690	333,914	516,604
Inter group transfers	-	108,323	108,323
Disposals	(498,217)	(626,956)	(1,125,173)
As at 31st December 1982	7,447,134	7,207,669	14,654,803
DEPRECIATION			
As at 1st January 1982	3,129,149	5,008,780	8,537,929
Charge against profit	141,141	303,292	444,433
Inter group transfers	-	54,596	54,596
Disposals	(326,675)	(517,716)	(844,391)
As at 31st December 1982	3,343,615	4,848,952	8,192,567
NET BOOK VALUE 1982	4,103,519	2,358,717	6,462,236
NET BOOK VALUE 1981	4,233,512	2,383,608	6,617,120

Depreciation has been charged on a straight line basis at the following rates:-

Buildings	2%
Plant & Machinery - general	4% - 10%
- special categories	20%
Motor vehicles	25%

6. CAPITAL COMMITMENTS

	1982		1981	
	Group	Company	Group	Company
Contracts for capital expenditure not provided for	72,823	72,823	794,611	794,611
Capital expenditure authorised but not contracted for	5,463,000	5,463,000	763,303	763,303

PATONS & BALDWIN, LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. ASSOCIATED COMPANY

The investment in associate company represents 50% of the issued ordinary share capital of Patons & Baldwins South Africa (Proprietary) Limited, a company incorporated in South Africa.

The excess of valuation over original cost is included in reserves.

8. SUBSIDIARY COMPANIES

	<u>1982</u> <u>£</u>	<u>1981</u> <u>£</u>
Shares at cost or directors' valuation	1,137,955	1,138,346
Owing by subsidiaries	1,718,427	2,023,987
	<u>2,856,382</u>	<u>3,162,333</u>
Owing to subsidiaries	(1,041,172)	(1,042,124)
	<u>1,815,210</u>	<u>2,120,209</u>

The interests in the principal subsidiary companies are:

	Country of incorporation	Combined interest of parent and subsidiaries %
William Thompson & Co. Limited	England	100
L. Copley-Smith & Sons Limited	England	100
Donaldson (Printing) Limited	Scotland	100
P.L. Spinners Limited	England	100
Southdown Wools Limited	England	100
Stitchcraft Limited	England	100
A/S Patons & Baldwins	Denmark	100
Agence Centrale des Filatures Reunies S.A.R.L.	France	100

9. STOCKS

STOCKS	<u>1982</u>		<u>1981</u>	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
Raw materials	1,832,281	1,830,079	2,180,097	2,177,809
Work in progress	1,939,237	1,937,594	2,124,081	2,122,190
Finished goods	5,305,480	4,844,036	5,429,451	4,713,318
	<u>9,076,998</u>	<u>8,611,709</u>	<u>9,733,629</u>	<u>9,013,317</u>

PATONS & BALDWIN, LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. GROUP COMPANIES

Amounts receivable from group companies include £1,257,214 owing from the ultimate holding company, Coats Patons plc (1981 £869,658).

11. SHARE CAPITAL

	<u>1982 and 1981</u>	<u>Issued and</u>
	<u>Authorised</u>	<u>fully paid</u>
	<u>£</u>	<u>£</u>
Ordinary shares of £1 each	12,000,000	10,768,016

12. RESERVES

	<u>Group</u>	<u>Company</u>
	<u>£</u>	<u>£</u>
Reserves at 1st January 1982	9,388,356	9,144,678
Profit & loss account	340,423	367,982
Profit retained by associated company	(28,767)	-
Exchange differences	22,858	-
Increase in value of shares in associated company	70,000	-
	<u>9,792,870</u>	<u>9,512,660</u>
Comprising:		
Share premium	2,601,095	2,601,095
Retained profits	7,191,775	6,911,565
	<u>9,792,870</u>	<u>9,512,660</u>

PATONS & BALDWIN, LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. DEFERRED TAXATION

	<u>Group</u> £	<u>1982</u> <u>Company</u> £	<u>Group</u> £	<u>1981</u> <u>Company</u> £
PROVISION MADE				
Capital allowance				
timing differences	1,500,000	1,500,000	1,500,000	1,500,000
Unutilised losses	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL POTENTIAL LIABILITY				
Capital allowance				
timing differences	2,100,992	2,100,096	2,074,744	2,074,217
Unutilised losses	(2,100,992)	(2,100,096)	(2,074,744)	(2,074,217)
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

The group has taxation losses, in addition to losses offset against deferred taxation of £5,256,660 (1981 £9,085,887), the corresponding figure for the company being £5,216,019 (1981 £9,044,971). These taxation losses are available to be set off against future trading profits.

14. HOLDING COMPANY

The company's ultimate holding company is Coats Patons plc, incorporated in Scotland.

15. COMPANIES ACT 1981

Neither the Group nor the Company is yet required to comply with the accounting and disclosure provisions of Part 1 of the Companies Act 1981. The Group financial statements are drawn up in accordance with Section 152A of, and Schedule 8A to, the Companies Act 1948. The Company's financial statements are drawn up in accordance with Section 149A of, and Schedule 8A to, the Companies Act 1948.

REPORT OF THE AUDITORS TO THE MEMBERS OF PATONS & BALDWIN, LIMITED

We have audited the financial statements on pages 4 to 14 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and, so far as concerns members of the holding company, of the group at 31st December 1982 and of its profit for the year ended on that date and comply with the Companies Acts 1948 to 1981.

The financial statements do not specify the manner in which the operations of the group have been financed, or in which its financial resources have been used during the year, as required by standard accounting practice.



Chartered Accountants

Newcastle upon Tyne

3rd March 1983