

Company Number: 950132

Karl Mayer Textile Machinery Limited

Group Financial Statements

for the year ended 31st December 2001

Blythens
Chartered Accountants
Nottingham



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Karl Mayer Textile Machinery Limited

Company Information for the year ended 31st December 2001

Directors

J.M. Smith
G.H. Lehner (German) (retired 1/1/02)
F.P. Mayer (German)
U.Mayer (German)

Company Secretary

J.M. Smith

Registered Office

Kings Road
Shepshed
Loughborough
Leicestershire
LE12 9HT

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3	Group Profit and Loss Account
4	Group Balance Sheet
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6	Group Cash Flow Statement
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The following does not form part of the statutory financial statements:

14	Company Trading and Profit and Loss Account
15	Schedules to the Company Profit and Loss Account

Karl Mayer Textile Machinery Limited

Directors' Report for the year ended 31st December 2001

The directors present their annual report and audited financial statements for the year ended 31st December 2001.

Directors' Responsibilities

Company law requires us as 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 group as at the end of the financial year, and of the profit or loss of the group for that period. In preparing those financial statements we 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 a going concern basis unless it is inappropriate to presume that the company will continue in business.

We are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable us to ensure that the financial statements comply with the Companies Act 1985. We 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.

Results, Dividends and Business Review

The profit on the ordinary activities of the group before taxation amounted to £850,933. After deducting taxation, the profit of £558,933 has been transferred to reserves.

The directors do not recommend the payment of a dividend.

Principal Activity

The principal activities of the group during the year were to manufacture, sell, and act as agents for the sale of knitting machines. The group also sold spare parts for knitting machines and provided related technical services.

Ultimate Holding Undertaking

The ultimate holding undertaking is Mayer Grundstuecks und Verwaltungsgesellschaft KG, a limited partnership resident in Germany.

Directors

The directors, none of whom is beneficially interested in the shares of the company, who served during the year were as follows:

J.M. Smith
G.H. Lehner (German) (retired 1/1/02)
F.P. Mayer (German)
I. Mayer (German) (retired 26/7/01)
U. Mayer (German)

In accordance with the Articles of Association, the directors presently serving continue in office.

Auditors

The auditors, Blythens, Chartered Accountants, have indicated their willingness to accept reappointment under Section 385(2) of the Companies Act 1985.

By Order of the Board:

J.M. Smith

Secretary

25th July 2002

Report of the Independent Auditors to the Members of

Karl Mayer Textile Machinery Limited

We have audited the financial statements of Karl Mayer Textile Machinery Limited for the year ended 31st December 2001 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective Responsibilities of the Directors and Auditors

As described in the Statement of Directors' Responsibilities 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 misstatement within it.

Basis of 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 affairs of the company and of the group as at 31st December 2001 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Blythens

Blythens

**Registered Auditor
Chartered Accountants**

25th July 2002

**Haydn House
309-329 Haydn Road
Sherwood
Nottingham
NG5 1HG**

Karl Mayer Textile Machinery Limited

Group Profit and Loss Account for the year ended 31st December 2001

	Notes	£	2001 £	2000 £
Turnover	2		8,310,048	8,626,067
Other external charges			5,871,534	6,602,388
			<u>2,438,514</u>	<u>2,023,679</u>
Staff costs	3	1,054,017		1,133,479
Depreciation and amortisation		161,857		170,288
Other operating charges		434,314		451,827
			<u>1,650,188</u>	<u>1,755,594</u>
Operating profit	4		788,326	268,085
Interest receivable and similar income	5		62,607	37,306
Profit on ordinary activities before taxation			<u>850,933</u>	<u>305,391</u>
Tax on profit on ordinary activities	6		292,000	105,519
Profit on ordinary activities after taxation			<u>558,933</u>	<u>199,872</u>
Retained profit brought forward			3,863,020	3,663,148
Retained profit carried forward			<u><u>4,421,953</u></u>	<u><u>3,863,020</u></u>

All amounts relate to continuing activities.

There have been no recognised gains or losses other than the results for the financial year and all profits or losses have been accounted for on an historical cost basis.

Karl Mayer Textile Machinery Limited
Group Balance Sheet as at 31st December 2001

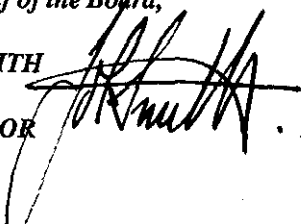
	Notes	£	2001 £	2000 £
Fixed assets				
Intangible assets	7		76,918	156,918
Tangible assets	8		1,043,627	1,026,582
			<u>1,120,545</u>	<u>1,183,500</u>
Current assets				
Stocks	11	3,467,725		971,842
Debtors: amounts due within one year	12	880,052		1,121,925
Debtors: amounts due after one year	12	228,443		-
Cash at bank		1,553,723		1,481,801
		<u>6,129,943</u>		<u>3,575,568</u>
Creditors				
Amounts falling due within one year	13	2,771,535		839,048
Net current assets			<u>3,358,408</u>	<u>2,736,520</u>
Total assets less current liabilities			<u>4,478,953</u>	<u>3,920,020</u>
Provision for liabilities and charges				
Deferred taxation	14		17,000	17,000
Net assets			<u>4,461,953</u>	<u>3,903,020</u>
Capital and reserves				
Called up share capital	15		40,000	40,000
Profit and loss account			4,421,953	3,863,020
Equity Shareholders' Funds	16		<u>4,461,953</u>	<u>3,903,020</u>

These financial statements were approved by the Board on the 25th July 2002.

On behalf of the Board,

J.M. SMITH

DIRECTOR



Karl Mayer Textile Machinery Limited

Company Balance Sheet as at 31st December 2001

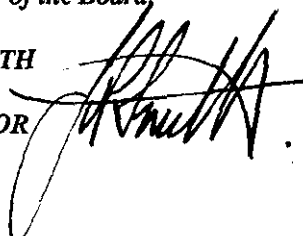
	Notes	£	2001 £	2000 £
Tangible assets	9		1,043,057	1,025,917
Investments	10		60,000	120,000
			<u>1,103,057</u>	<u>1,145,917</u>
Current assets				
Stocks	11	3,438,725		955,942
Debtors: amounts due within one year	12	915,676		1,175,143
Debtors: amounts due after one year	12	228,443		-
Cash at bank		1,539,329		1,399,202
		<u>6,122,173</u>		<u>3,530,287</u>
Creditors				
Amounts falling due within one year	13	2,765,886		789,259
Net current assets			<u>3,356,287</u>	<u>2,741,028</u>
Total assets less current liabilities			<u>4,459,344</u>	<u>3,886,945</u>
Provision for liabilities and charges				
Deferred taxation	14		17,000	17,000
Net assets			<u>4,442,344</u>	<u>3,869,945</u>
Capital and reserves				
Called up share capital	15		40,000	40,000
Profit and loss account			4,402,344	3,829,945
Equity shareholders' funds			<u>4,442,344</u>	<u>3,869,945</u>

These financial statements were approved by the director on the 25th July 2002.

On behalf of the Board,

J.M. SMITH

DIRECTOR



Karl Mayer Textile Machinery Limited

Group Cash Flow Statement for the year ended 31st December 2001

	Notes	2001 £	2000 £
<i>Reconciliation of operating profit to net cash inflow from operating activities:</i>			
Operating profit		788,326	268,085
Depreciation and amortisation charges		161,857	170,288
Loss/(Profit) on sale of fixed assets		7,345	(8,360)
(Increase)/Decrease in stocks		(2,495,883)	256,876
Decrease in debtors		12,980	372,606
Increase/(Decrease) in creditors		1,795,856	(553,549)
		<u>270,481</u>	<u>505,946</u>

CASH FLOW STATEMENT

Net cash inflow from operating activities		270,481	505,946
Returns on investments and servicing of finance	21	62,607	37,306
Taxation		(154,919)	(65,804)
Capital expenditure	21	(106,247)	(30,291)
Cash inflow before use of liquid resources and financing		<u>71,922</u>	<u>447,157</u>
Increase in cash for the year	22	<u>71,922</u>	<u>447,157</u>

Reconciliation of net cash flow to movement in net funds:

Increase in cash in the year	22	71,922	447,157
Translation difference		-	-
Net funds at 1st January 2001		<u>1,481,801</u>	<u>1,034,644</u>
Net funds at 31st December 2001	22	<u>1,553,723</u>	<u>1,481,801</u>

Karl Mayer Textile Machinery Limited

Notes to the Financial Statements for the year ended 31st December 2001

Compliance with Accounting Standards

The accounts have been prepared in accordance with applicable accounting standards. There were no material departures from those standards.

1 Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are set out below and have remained unchanged from the previous year, and also have been consistently applied within the same financial statements.

Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention.

Consolidation

The consolidated financial statements incorporate the financial statements of Karl Mayer Textile Machinery Limited and its subsidiary undertaking.

The financial statements of all group companies are made up to 31st December.

A separate profit and loss account dealing with the results of the company only has not been presented in accordance with Section 230 of the Companies Act 1985.

Depreciation

Depreciation has been computed to write off the cost of tangible fixed assets, excluding freehold land, over their expected useful lives using the following rates:

Freehold property	2% per annum straight line
Plant and machinery	10% per annum straight line
Motor vehicles	25% per annum straight line
Fixtures, fittings and computer equipment	25% per annum straight line

Goodwill

Goodwill arising from the acquisition of the subsidiary undertaking is amortised on a straight-line basis over its useful economic life, estimated at 5 years.

Stocks and work in progress

Stocks and work in progress have been valued at the lower of cost and net realisable value. In respect of work in progress and finished goods cost includes a relevant proportion of overheads according to the stage of manufacture/completion.

Deferred taxation

Deferred tax is provided for on the liability method to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is considered that a net liability may crystallise.

Foreign currencies

Transactions in foreign currencies are translated into sterling and recorded at the exchange rate ruling at the date of the transaction. Balances at the year end denominated in a foreign currency are translated into sterling at the exchange rate ruling at the balance sheet date. Resulting gains and losses are taken to the profit and loss account.

Pensions

The group operates both a defined contribution pension scheme and a defined benefit pension scheme. The funds of the schemes are administered by trustees and are separate from the group. Contributions to the scheme are charged against revenue in the year in which they are payable.

Karl Mayer Textile Machinery Limited

Notes to the Financial Statements for the year ended 31st December 2001

2 Turnover

Turnover represents the value, excluding value added tax, of goods and services supplied to customers during the year and relates solely to the group's principal activities.

The geographical analysis of turnover is as follows:

	2001	2000
	£	£
United Kingdom	1,914,142	1,822,809
EU	1,613,719	676,787
Other	4,782,187	6,126,471
	<u>8,310,048</u>	<u>8,626,067</u>

3 Staff Costs

The aggregate payroll costs of staff, including directors, during the year were as follows:

	2001	2000
	£	£
Wages and salaries	900,979	944,386
Social security costs	84,277	90,455
Other pension costs (Note 19)	68,761	98,638
	<u>1,054,017</u>	<u>1,133,479</u>

The average number of employees, including directors, during the year was as follows:

	2001	2000
	Number	Number
Administration	6	6
Management	6	6
Production	3	4
Sales and distribution	16	19
	<u>31</u>	<u>35</u>

Emoluments of the highest paid director:

	2001	2000
	£	£
Remuneration	227,857	204,812
Group contributions to a money purchase pension scheme	4,968	4,968

4 Operating Profit

	2001	2000
	£	£
<i>Operating profit is stated after charging or (crediting):</i>		
Directors' emoluments	371,629	330,902
Directors' contributions to money purchase pension scheme	18,312	39,753
Auditors' remuneration	5,000	10,000
Depreciation of owned assets	81,857	90,288
Amortisation of goodwill	80,000	80,000
Loss/(Profit) on disposal of fixed assets	7,345	(8,360)
(Gain) on foreign exchange	(16,412)	(13,674)

Retirement benefits have accrued under money purchase pension schemes for 2 directors (2000:2).

Karl Mayer Textile Machinery Limited

Notes to the Financial Statements for the year ended 31st December 2001

5

Interest Receivable	2001	2000
	£	£
Bank interest	62,607	36,970
Other interest	-	336
	<u>62,607</u>	<u>37,306</u>

6

Tax on Profit on Ordinary Activities	2001	2000
	£	£
<i>Based on the profit for the year:</i>		
Corporation tax at 30% (2000: 30%)	285,831	105,550
Adjustment in respect of previous years	6,169	(31)
	<u>292,000</u>	<u>105,519</u>

7

Intangible Fixed Assets		£
Cost		
Goodwill arising on the acquisition of TBC Cutting and Printing Machines Limited		396,918
		<u></u>
Amortisation		
At 1st January 2001		240,000
Provided during the year		80,000
		<u></u>
At 31st December 2001		320,000
		<u></u>
Net Book Value		
At 31st December 2001		76,918
At 31st December 2000		156,918
		<u></u>

8

Tangible Fixed Assets				Fixtures, fittings and computer equipment	
<i>The Group</i>	Freehold property	Plant and machinery	Motor vehicles		Total
Cost	£	£	£	£	£
At 1st January 2001	921,120	82,865	241,769	53,753	1,299,507
Additions	-	34,922	100,945	-	135,867
Disposals	-	-	(119,481)	-	(119,481)
	<u>921,120</u>	<u>117,787</u>	<u>223,233</u>	<u>53,753</u>	<u>1,315,893</u>
Depreciation					
At 1st January 2001	74,611	32,655	141,738	23,921	272,925
Charge for the year	16,440	8,291	44,439	12,687	81,857
Eliminated on disposal	-	-	(82,516)	-	(82,516)
	<u>91,051</u>	<u>40,946</u>	<u>103,661</u>	<u>36,608</u>	<u>272,266</u>
Net Book Value					
At 31st December 2001	830,069	76,841	119,572	17,145	1,043,627
At 31st December 2000	846,509	50,210	100,031	29,832	1,026,582

The cost of depreciable assets included in freehold property was £821,120 (2000:£821,120).

Karl Mayer Textile Machinery Limited

Notes to the Financial Statements for the year ended 31st December 2001

9 Tangible Fixed Assets

<i>The Company</i>	Freehold property	Plant and machinery	Motor vehicles	Fixtures, fittings and computer equipment	Total
Cost					
At 1st January 2001	921,120	81,915	241,769	53,753	1,298,557
Additions	-	34,922	100,945	-	135,867
Disposals	-	-	(119,481)	-	(119,481)
At 31st December 2001	921,120	116,837	223,233	53,753	1,314,943
Depreciation					
At 1st January 2001	74,611	32,370	141,738	23,921	272,640
Charge for the year	16,440	8,196	44,439	12,687	81,762
Eliminated on disposal	-	-	(82,516)	-	(82,516)
At 31st December 2001	91,051	40,566	103,661	36,608	271,886
Net Book Value					
At 31st December 2001	830,069	76,271	119,572	17,145	1,043,057
At 31st December 2000	846,509	49,545	100,031	29,832	1,025,917

The cost of depreciable assets included in freehold property was £821,120 (2000:£821,120).

10 Investments

<i>The Company</i>	Shares in Group Undertakings £
Cost	
At 1st January 2001 and at 31st December 2001	300,000
Provided for	
At 1st January 2001	180,000
Provided during the year	60,000
At 31st December 2001	240,000
Net Book Value	
At 31st December 2001	60,000
At 1st January 2001	120,000

The company owns 100% of the issued share capital of TBC Cutting and Printing Machines Limited, a company incorporated in England and whose principal activities are the manufacture of textile machinery and provision of technical services. At 31st December 2001 the aggregate of its share capital and reserves was £(297,309) and its loss for the year amounted to £63,466.

11 Stocks

	2001		2000	
	Group £	Company £	Group £	Company £
Work in progress	29,000	-	15,900	-
Goods for resale	3,438,725	3,438,725	955,942	955,942
	3,467,725	3,438,725	971,842	955,942

Karl Mayer Textile Machinery Limited

Notes to the Financial Statements for the year ended 31st December 2001

12	Debtors	2001		2000	
		Group £	Company £	Group £	Company £
	Trade debtors	961,809	954,255	1,026,025	972,163
	Amounts owed by other group undertakings	21,702	71,055	10,605	123,327
	Corporation tax recoverable	-	-	450	-
	Other debtors	-	-	29,607	29,607
	Prepayments and accrued income	124,984	118,809	55,238	50,046
		<u>1,108,495</u>	<u>1,144,119</u>	<u>1,121,925</u>	<u>1,175,143</u>

13	Creditors: Amounts falling due within one year	2001		2000	
		Group £	Company £	Group £	Company £
	Trade creditors	1,558,867	1,556,454	317,290	275,237
	Amounts owed to related undertaking	839,779	839,779	281,956	281,956
	Corporation tax	206,631	206,631	70,000	70,000
	Other taxes and social security costs	55,066	53,330	84,486	80,750
	Accruals and deferred income	111,192	109,692	85,316	81,316
		<u>2,771,535</u>	<u>2,765,886</u>	<u>839,048</u>	<u>789,259</u>

14	Deferred Taxation	2001	2000
		£	£
	At 1st January 2001	17,000	17,000
	Deferred tax calculated in accordance with Note 1 comprises:		
	Accelerated capital allowances	6,000	6,000
	Other timing differences	11,000	11,000
		<u>17,000</u>	<u>17,000</u>

15	Share Capital	2001	2000
		£	£
	Authorised		
	40,000 Ordinary shares of £1 each	40,000	40,000
	Allotted and fully paid		
	40,000 Ordinary shares of £1 each	40,000	40,000
	There was no change in share capital during the year.		

Karl Mayer Textile Machinery Limited

Notes to the Financial Statements for the year ended 31st December 2001

16	Reconciliation of the Movement in Shareholders' Funds	2001	2000
		£	£
	Profit for the financial year	558,933	199,872
	Increase in shareholders' funds	558,933	199,872
	Opening shareholders' funds	3,903,020	3,703,148
	Closing shareholders' funds	4,461,953	3,903,020

All shareholders' funds are attributable to equity interests.

17 Transactions with Related Parties

During the year the group purchased from Karl Myer Textilmaschinenfabrik (KMO) goods and services totalling £875,131 (2000:£1,391,789). The group also received commission from KMO of £146,823 (2000:£68,910) relating to machinery sales. KMO is controlled equally by four members of the Mayer family (three of whom are directors of this group), who also control Mayer Grundstuecks und Verwaltungsgesellschaft KG, the ultimate parent of Karl Mayer Textile Machinery Limited. The goods and services are paid on credit terms which are commercial terms, bearing in mind the risks and rewards of exchange rate fluctuations. At 31st December 2001 the amount owing to KMO was £839,819 (2000:£281,956). During the year the group also purchased goods totalling £485,000 from Mayer Textile Machine Corporation, a company also controlled by Mayer Grundstuecks und Verwaltungsgesellschaft KG.

18 Control Relationships

The group is controlled by Mayer Grundstuecks und Verwaltungsgesellschaft KG.

19 Pensions

The group operates a defined contribution pension scheme and a defined benefit pension scheme.

Defined benefit scheme

The group operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the group, being invested with insurance companies. The contributions are determined by a qualified actuary on the basis of triennial valuations. The latest actuarial assessment of the scheme was at 30th April 1999. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increases in salaries and pensions. It was assumed that the investment return would be 9% per annum, that salary increases would average 7% per annum and that present and future pensions would increase at the rate of 5% per annum.

The pension charge for the year was £39,074 (2000:£38,801). Contributions totalling £11,893 (2000:£13,149) were prepaid at the balance sheet date and are included in debtors.

The most recent actuarial valuation showed the market value of the scheme's assets was £556,000 and that the actuarial value of those assets represented 111% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contributions of the group and employees were 11.1% and 3% of earnings respectively.

Defined contribution scheme

The assets of the scheme are administered by trustees in a fund independent from those of the company. The pension charge represents contributions payable by the group to the fund and amounted to £29,687 (2000:£59,837). Contributions totalling £1,804 (2000:£10,829) were prepaid at the balance sheet date and are included in debtors.

Karl Mayer Textile Machinery Limited

Notes to the Financial Statements for the year ended 31st December 2001

20 Pension Scheme Information under FRS 17

The company sponsors the Karl Mayer Retirement Benefits Scheme which is a defined benefit arrangement. The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 30th April 1999 and updated on an approximate basis to 31st December 2001.

The contributions made by the employer over the financial year has been £31,982, equivalent to 8.5% of pensionable pay. This contribution rate is expected to continue until reviewed following the triennial valuation of the scheme due at 30th April 2002.

The transitional arrangements of the new accounting standard FRS17 require disclosure of assets and liabilities as at 31st December 2001 calculated in accordance with the requirements of FRS17. For the purpose of these financial statements these figures are illustrative only and do not impact on the actual company balance sheet. The assets of each scheme have been taken at market value and the liabilities have been calculated using the following principal actuarial assumptions.

Inflation	2.5% per annum
Salary increases	2.5% per annum
Rate of discount	5.75% per annum
Pension in payment increases	Nil (pre 6th April 1997 accrual) 5% per annum (post 6th April 1997 accrual)
Revaluation rate for deferred pensioners	2.5% per annum

On this basis, the illustrative balance sheet figures are as follows:

	£'000
Assets	792
Liabilities	743
Surplus	49

The assets of the scheme at 31st December 2001 are held in an insurance contract with Norwich Union Life. The expected long term rate of return over the following year is 6%.

21 Gross Cash Flows

Returns on investments and servicing of finance	2001 £	2000 £
Interest received	62,607	37,306
Net cash inflow for returns on investments and servicing of finance	62,607	37,306
Capital expenditure	2001 £	2000 £
Purchase of tangible fixed assets	(135,867)	(41,691)
Proceeds from the sale of fixed assets	29,620	11,400
Net cash (outflow) for capital expenditure and financial investment	(106,247)	(30,291)

22 Analysis of Changes in Net Funds

	At 1st January 2001 £	Cashflows £	At 31st December 2001 £
Cash in hand, at bank	1,481,801	71,922	1,553,723
Total	1,481,801	71,922	1,553,723