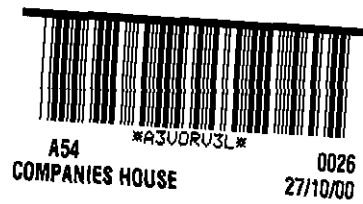


Company Number : 950132

SIGNED COPY

KARL MAYER TEXTILE MACHINERY LIMITED  
AND SUBSIDIARY UNDERTAKINGS  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31st DECEMBER 1999



B L Y T H E N S  
Chartered Accountants  
Nottingham

KARL MAYER TEXTILE MACHINERY LIMITED

AND SUBSIDIARY UNDERTAKINGS

DIRECTORS' REPORT

The Directors submit their annual report and the audited financial statements for the year ended 31st December 1999.

1. 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 profit or loss 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 group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

2. REVIEW OF THE BUSINESS

The principal activities of the group are to manufacture, sell and act as the agents for sale of knitting machines. The group also sells spare parts for knitting machines and provides related technical services.

The results of the group for the year are as follows :

	£
Profit before Taxation	274,508
Taxation	<u>95,835</u>
Retained Profit for the Year	£ 178,673 =====

3. YEAR 2000

The directors recognise the reliance of the business on its own computer systems as well as those of its customers and suppliers, and the commercial risks of computer failure due to the impact of the millennium problem throughout the year 2000. The directors believe they have identified such issues, and believe that the costs expected to be incurred in this respect are not material to the company.

KARL MAYER TEXTILE MACHINERY LIMITED

AND SUBSIDIARY UNDERTAKINGS

DIRECTORS' REPORT

/Continued....

4. ULTIMATE HOLDING UNDERTAKING

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

5. DIVIDENDS

The Directors do not recommend the payment of a dividend (1998 : NIL).

6. DIRECTORS

The Directors who served during the year were as follows :

J M Smith  
G H Lehner (German)  
F P Mayer (German)  
I Mayer (German)  
U Mayer (German)

In accordance with the company's Articles of Association, the Directors presently serving continue in office.

7. CHARITABLE DONATIONS

The group made charitable donations totalling £126 during the year (1998: £455).

8. AUDITORS

A resolution to re-appoint Blythens as auditors of the company will be proposed at the Annual General Meeting.

ON BEHALF OF THE BOARD

J M Smith

SECRETARY

Kings Road  
Shepshed  
Loughborough  
Leicestershire  
LE12 9HT

23 October 2000

AUDITORS' REPORT  
TO THE MEMBERS OF  
KARL MAYER TEXTILE MACHINERY LIMITED

We have audited the financial statements on Pages 4 to 15 which have been prepared under the historical cost convention and the accounting policies set out on Pages 8 and 9.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on Page 1, the group'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 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 group'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 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BLYTHENS  
Registered Auditor  
Chartered Accountants

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

23 October 2000

KARL MAYER TEXTILE MACHINERY LIMITED  
AND SUBSIDIARY UNDERTAKINGS  
CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31st DECEMBER 1999

	Note	£	£	1998 £
<u>TURNOVER</u>	2		5,826,738	3,995,696
External Charges			<u>3,799,426</u>	<u>2,007,887</u>
			2,027,312	<u>1,987,809</u>
Staff Costs	3	1,281,168		1,286,754
Depreciation		103,437		98,396
Other Operating Costs		<u>440,064</u>		<u>393,061</u>
			<u>1,824,669</u>	<u>1,778,211</u>
<u>OPERATING PROFIT</u>			202,643	209,598
Interest Payable			-	( 2,069)
Interest Receivable	4		<u>71,865</u>	<u>91,067</u>
<u>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</u>	5		274,508	298,596
Taxation	7		<u>95,835</u>	<u>135,548</u>
<u>RETAINED PROFIT AFTER TAXATION</u>			178,673	163,048
<u>RETAINED PROFIT BROUGHT FORWARD</u>			<u>3,484,475</u>	<u>3,321,427</u>
<u>RETAINED PROFIT</u>			£ 3,663,148 =====	£ 3,484,475 =====

The only recognised profit for the year is the profit for the year of £178,673 (1998 : £163,048). There were no acquisitions and no discontinued operations in the year.

KARL MAYER TEXTILE MACHINERY LIMITED

AND SUBSIDIARY UNDERTAKINGS

CONSOLIDATED BALANCE SHEET

AS AT 31<sup>st</sup> DECEMBER 1999

	Note	£	£	1998	£
<b><u>FIXED ASSETS</u></b>					
Intangible Assets	8		236,918		316,918
Tangible Assets	9		1,078,219		1,093,476
Investments	11		-		147,861
<b><u>CURRENT ASSETS</u></b>					
Stock	13	1,228,718		1,208,833	
Debtors (Includes £356,620 - 1998 : £460,478 - due after more than one year)	14	1,502,993		1,358,626	
Cash at Bank and in Hand		<u>1,034,644</u>		<u>752,723</u>	
		3,766,355		3,320,182	
<b><u>CREDITORS</u></b>					
Due Within one Year	15	<u>1,361,344</u>		<u>1,336,962</u>	
<b><u>NET CURRENT ASSETS</u></b>			<u>2,405,011</u>		<u>1,983,220</u>
<b><u>TOTAL ASSETS LESS CURRENT LIABILITIES</u></b>			3,720,148		3,541,475
<b><u>PROVISIONS FOR LIABILITIES AND CHARGES</u></b>		16	<u>17,000</u>		<u>17,000</u>
<b><u>NET ASSETS</u></b>			£ 3,703,148		£ 3,524,475
			=====		=====
<b><u>CAPITAL AND RESERVES</u></b>					
Called up Share Capital	17		40,000		40,000
Profit and Loss Account			<u>3,663,148</u>		<u>3,484,475</u>
<b><u>SHAREHOLDERS' FUNDS</u></b>		19	£ 3,703,148		£ 3,524,475
			=====		=====

The accounts were approved by the Board on 23 October 2000 and signed on its behalf by:

  
J M SMITH  
Director

KARL MAYER TEXTILE MACHINERY LIMITED

BALANCE SHEET

AS AT 31st DECEMBER 1999

	Note	£	£	1998	£
<u>FIXED ASSETS</u>					
Tangible Assets	10		1,077,459		1,092,621
Investments	12		180,000		387,861
<u>CURRENT ASSETS</u>					
Stock	13	1,163,039		1,166,933	
Debtors (Includes £356,620 - 1998 : £460,478 - due after more than one year)	14	1,522,649		1,356,451	
Cash at Bank and in Hand		<u>1,014,499</u>		<u>612,208</u>	
		3,700,187		3,135,592	
<u>CREDITORS</u>					
Due Within one Year	15	<u>1,320,127</u>		<u>1,163,842</u>	
<u>NET CURRENT ASSETS</u>			<u>2,380,060</u>		<u>1,971,750</u>
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>			3,637,519		3,452,232
<u>PROVISIONS FOR LIABILITIES AND CHARGES</u>	16		<u>17,000</u>		<u>17,000</u>
<u>NET ASSETS</u>			£ 3,620,519 =====		£ 3,435,232 =====
<u>CAPITAL AND RESERVES</u>					
Called up Share Capital	17		40,000		40,000
Profit and Loss Account			<u>3,580,519</u>		<u>3,395,232</u>
<u>SHAREHOLDERS' FUNDS</u>			£ 3,620,519 =====		£ 3,435,232 =====

The accounts were approved by the Board on 23 October 2000 and signed on its behalf by:

  
J M SMITH  
Director

KARL MAYER TEXTILE MACHINERY LIMITED  
AND SUBSIDIARY UNDERTAKINGS  
CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31st DECEMBER 1999

	£	£	£ <u>1998</u>	£
<u>RECONCILIATION OF OPERATING</u>				
<u>PROFIT TO NET CASH INFLOW</u>				
<u>FROM OPERATING ACTIVITIES</u>				
Operating Profit		202,643		209,598
Depreciation Charges		103,437		98,396
(Profit) on Sale of Tangible Fixed Assets		( 3,453)		( 467)
Amortisation of Goodwill		80,000		80,000
(Profit) on Sale of Investments		( 72,370)		( 18,387)
(Increase) in Stocks		( 19,885)		(219,685)
(Increase) in Debtors		( 135,455)		(438,677)
Increase in Creditors		<u>103,635</u>		<u>661,716</u>
<u>NET CASH INFLOW FROM OPERATING</u>				
<u>ACTIVITIES</u>	£	258,552		£ 372,494
		=====		=====
<u>CASH FLOW STATEMENT</u>				
Net Cash Inflow from Operating Activities		258,552		372,494
<u>RETURNS ON INVESTMENT AND</u>				
<u>SERVICING OF FINANCE</u>				
Interest Payable	-		( 2,069)	
Interest Received	71,865		77,692	
Income from Listed Investments	-		<u>13,375</u>	
		71,865		88,998
<u>TAXATION</u>				
Corporation Tax Paid		( 184,000)		(204,891)
<u>CAPITAL EXPENDITURE AND</u>				
<u>FINANCIAL INVESTMENT</u>				
Payments to Acquire Tangible Fixed Assets	( 93,939)		(198,458)	
Payments to Acquire Subsidiary Undertaking	-		(300,000)	
Goodwill Acquired in Subsidiary Undertaking	-		( 96,918)	
Receipts from Sale of Investments	220,231		370,886	
Receipts from Sale of Fixed Assets	<u>9,212</u>		<u>42,000</u>	
		<u>135,504</u>		<u>(182,490)</u>
<u>INCREASE IN CASH FOR THE YEAR</u>	£	281,921		£ 74,111
		=====		=====
<u>RECONCILIATION OF NET CASH FLOW</u>				
<u>TO MOVEMENT IN NET FUNDS</u>				
Increase in Cash for the Year		281,921		74,111
Net Funds at 1st January 1999		<u>752,723</u>		<u>678,612</u>
Net Funds at 31st December 1999	£	1,034,644		£ 752,723
		=====		=====



KARL MAYER TEXTILE MACHINERY LIMITED  
AND SUBSIDIARY UNDERTAKINGS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31st DECEMBER 1999

1. ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the group's financial statements.

(a) **Accounting Convention**

The financial statements are prepared under the historical cost convention.

(b) **Consolidation**

The consolidated financial statements incorporate the financial statements of Karl Mayer Textile Machinery Limited and all its subsidiary undertakings. The results of subsidiaries acquired during the year are included from the date of acquisition.

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

Goodwill arising from the acquisition of undertakings is written off over its estimated economic life.

A separate Profit & Loss Account dealing with the results of the company only has not been presented in accordance with Section 230 of the Companies Act 1985.

(c) **Depreciation**

Depreciation is calculated so as to write off the cost of tangible fixed assets over their estimated useful lives at the following rates :

Freehold Buildings	50 years
Plant and Machinery	10 years
Fixtures, Fittings, Computer Equipment and Motor Vehicles	4 years

(d) **Stocks and Work in Progress**

Stocks and Work in Progress are valued at the lower of cost and net realisable value.

(e) **Deferred Taxation**

Deferred Taxation is provided 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.

(f) **Foreign Exchange**

Transactions denominated in foreign currencies are translated into Sterling and recorded at the rate of exchange ruling at the date of the transaction.

Balances denominated in a foreign currency are translated into Sterling at the exchange rate ruling at the Balance Sheet date.

KARL MAYER TEXTILE MACHINERY LIMITED  
AND SUBSIDIARY UNDERTAKINGS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31st DECEMBER 1999  
/Cont'd....

(g) **Pensions**

The group operates both a defined contribution pension scheme and a defined benefit pension scheme. In both cases the assets of the scheme are held separately from those of the group in independently administered funds. Contributions to the schemes are charged against revenue in the year to which they relate.

(h) **Leasing**

Rental payments in respect of operating leases are charged to the Profit and Loss Account on a straight line basis.

2. **TURNOVER**

Turnover represents the amounts invoiced by the group in respect of goods and services provided during the year, excluding Value Added Tax.

Turnover relates solely to the group's principal activities. The geographical split is

	£	<u>1998</u> £
United Kingdom	2,625,459	3,698,427
EU	835,653	251,821
Other	<u>2,365,626</u>	<u>45,448</u>
	£ 5,826,738	£ 3,995,696
	=====	=====

3. **STAFF COSTS**

The average number of persons employed by the group (including Directors) during the year was as follows :

	<u>No</u>	<u>1998</u> <u>No</u>
Management	6	7
Administration	6	7
Sales and Distribution	20	25
Production	<u>4</u>	<u>4</u>
	36	43
	==	==

The aggregate payroll costs of these persons were as follows :

	£	<u>1998</u> £
Wages and Salaries	1,075,185	981,338
Social Security Costs	95,713	169,238
Other Pension Costs (See Note 18)	<u>110,270</u>	<u>136,178</u>
	£1,281,168	£ 1,286,754
	=====	=====

4. **INTEREST RECEIVABLE AND SIMILAR INCOME**

Bank Interest	24,690	37,679
Other Interest	47,175	40,013
Income from Listed Investments	<u>-</u>	<u>13,375</u>
	£ 71,865	£ 91,067
	=====	=====

KARL MAYER TEXTILE MACHINERY LIMITED  
AND SUBSIDIARY UNDERTAKINGS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31st DECEMBER 1999  
/Cont'd.....

	£	1998 £
5. <u>PROFIT BEFORE TAXATION</u>		
This is stated after charging :		
Auditors' Remuneration	11,500	10,000
Directors' Emoluments (See Note 6)		
Remuneration as Executives	380,333	392,521
Exchange (Gain)/Loss	( 48,626)	47,927
Depreciation of Owned Assets	103,437	98,396
Group Contributions to Money		
Purchase Pension Schemes for 2 Directors	46,455	64,133
	=====	=====
6. <u>DIRECTORS' EMOLUMENTS</u>		
Emoluments of the Highest Paid Director :		
Remuneration	206,329	203,310
Group Contributions to a Money		
Purchase Pension Scheme	12,318	26,689
	=====	=====
7. <u>TAXATION</u>		
Taxation based on profit for the year :		
Corporation Tax at 30.25% (1998 : 31%)	100,450	127,728
Deferred Taxation	-	8,000
	100,450	135,728
Adjustment in respect of previous years	( 4,615)	( 180)
	£ 95,835	£ 135,548
	=====	=====
8. <u>INTANGIBLE FIXED ASSETS</u>		
Goodwill Arising on the Acquisition of TBC Cutting and Printing Machines Limited	396,918	396,918
Amortisation		
At 1 <sup>st</sup> January 1999	80,000	-
Charge for the Year	80,000	80,000
At 31 <sup>st</sup> December 1999	160,000	80,000
	£ 236,918	£ 316,918
	=====	=====

KARL MAYER TEXTILE MACHINERY LIMITED

AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER 1999  
/Cont'd.....

9. TANGIBLE FIXED ASSETS  
(THE GROUP)

	Freehold Property £	Plant and Machinery £	Fixtures Fittings and Computer Equipment £	Motor Vehicles £	Total £
<b>Cost</b>					
At 31st December 1998	921,120	77,000	19,573	303,149	1,320,842
Additions	-	-	28,000	65,939	93,939
Disposals	-	-	(16,568)	(69,748)	(86,316)
At 31st December 1999	£921,120	77,000	31,005	299,340	1,328,465
	=====	=====	=====	=====	=====
<b>Depreciation</b>					
At 31st December 1998	41,731	17,225	14,045	154,365	227,366
Charge for the Year	16,440	7,715	13,512	65,770	103,437
On Disposals	-	-	(16,560)	(63,997)	(80,557)
At 31st December 1999	£ 58,171	24,940	10,997	156,138	250,246
	=====	=====	=====	=====	=====
<b>Net Book Amount</b>					
At 31st December 1998	£879,389	59,775	5,528	148,784	1,093,476
	=====	=====	=====	=====	=====
At 31st December 1999	£862,949	52,060	20,008	143,202	1,078,219
	=====	=====	=====	=====	=====

The cost of depreciable assets included in Freehold Property was £821,120 (1998: £821,120)

10. TANGIBLE FIXED ASSETS  
(THE COMPANY)

	Freehold Property £	Plant and Machinery £	Fixtures Fittings and Computer Equipment £	Motor Vehicles £	Total £
<b>Cost</b>					
At 31st December 1998	921,120	76,050	19,573	303,149	1,319,892
Additions	-	-	28,000	65,939	93,939
Disposals	-	-	(16,568)	(69,748)	(86,316)
At 31st December 1999	£921,120	76,050	31,005	299,340	1,327,515
	=====	=====	=====	=====	=====
<b>Depreciation</b>					
At 31st December 1998	41,731	17,130	14,045	154,365	227,271
Charge for the Year	16,440	7,620	13,512	65,770	103,342
On Disposals	-	-	(16,560)	(63,997)	(80,557)
At 31st December 1999	£ 58,171	24,750	10,997	156,138	250,056
	=====	=====	=====	=====	=====
<b>Net Book Amount</b>					
At 31st December 1998	£879,389	58,920	5,528	148,784	1,092,621
	=====	=====	=====	=====	=====
At 31st December 1999	£862,949	51,300	20,008	143,202	1,077,459
	=====	=====	=====	=====	=====

The cost of depreciable assets included in Freehold Property was £821,120 (1998: £821,120)

KARL MAYER TEXTILE MACHINERY LIMITED

AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER 1999

/Cont'd.....

11. INVESTMENTS  
(THE GROUP)

UK Listed  
Investments  
at Cost  
£

At 31st December 1998	147,861
Disposals	(147,861)
Provision for Diminution in Value	-
At 31st December 1999	£ -
	=====

At 31st December 1998 the market value of the listed investments was £213,448

12. INVESTMENTS  
(THE COMPANY)

Shares in Group Undertakings £	UK Listed Investments at Cost £	Total £
---	--	------------

At 31st December 1998	240,000	147,861	387,861
Disposals	-	(147,861)	(147,861)
Provision for Diminution in Value	( 60,000)	-	( 60,000)
At 31st December 1999	£ 180,000	£ -	£ 180,000
	=====	=====	=====

At 31st December 1998 the market value of the listed investments was £213,448

Shares in Group Undertakings

At the Balance Sheet date the group owned 100% of the £1 Ordinary Shares of TBC Cutting and Printing Machines Limited, a company incorporated in England.

13. STOCK

	<u>Group</u> £	<u>1999</u> <u>Company</u> £	<u>Group</u> £	<u>1998</u> <u>Company</u> £
Goods for Resale	1,163,039	1,163,039	1,166,933	1,166,933
Work in Progress	86,905	-	286,900	-
Payments on Account	( 21,226)	-	( 245,000)	-
	£1,228,718	£ 1,163,039	£ 1,208,833	£ 1,166,933
	=====	=====	=====	=====

**KARL MAYER TEXTILE MACHINERY LIMITED**  
**AND SUBSIDIARY UNDERTAKINGS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31st DECEMBER 1999**  
**/Cont'd.....**

	<u>1999</u>		<u>1998</u>	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
	£	£	£	£
14. <b><u>DEBTORS</u></b>				
Amounts falling due within one year				
Trade Debtors	1,305,073	1,290,840	1,274,201	1,264,385
Amounts Owed by Group Undertaking	13,618	53,327	20,595	33,327
Prepayments and Accrued Income	48,706	48,706	58,739	58,739
Other Debtors	<u>135,596</u>	<u>129,776</u>	<u>5,091</u>	<u>-</u>
	£ 1,502,993	£ 1,522,649	£ 1,358,626	£ 1,356,451
	=====	=====	=====	=====
15. <b><u>CREDITORS</u></b>				
Amounts falling due within one year				
Trade Creditors	68,888	40,495	244,870	83,854
Amounts Owed to Related Undertaking	768,622	768,622	845,086	845,086
Current Corporation Tax	38,747	38,297	118,000	118,000
Other Taxes and Social Security Costs	40,874	39,000	86,339	79,378
Accruals and Deferred Income	<u>444,213</u>	<u>433,713</u>	<u>42,667</u>	<u>37,524</u>
	£ 1,361,344	£ 1,320,127	£ 1,336,962	£ 1,163,842
	=====	=====	=====	=====
16. <b><u>PROVISIONS FOR LIABILITIES AND CHARGES</u></b>				
Deferred Taxation				
Balance at 31st December 1998	17,000	17,000	17,000	17,000
Movement for the Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 31st December 1999	£ 17,000	£ 17,000	£ 17,000	£ 17,000
	=====	=====	=====	=====
The provision for deferred taxation, calculated on the liability method, comprises the following :				
Accelerated Capital Allowances			6,000	6,000
Other Timing Differences			<u>11,000</u>	<u>11,000</u>
			£ 17,000	£ 17,000
			=====	=====
17. <b><u>SHARE CAPITAL</u></b>				
Authorised : 40,000 Ordinary Shares of £1 each			£ 40,000	£ 40,000
			=====	=====
Allotted Called up and 40,000 Ordinary Shares Fully Paid : of £1 each			£ 40,000	£ 40,000
			=====	=====
There were no changes during the year.				

KARL MAYER TEXTILE MACHINERY LIMITED  
AND SUBSIDIARY UNDERTAKINGS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31st DECEMBER 1999  
/Cont'd.....

18. PENSIONS

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

Defined Contribution Scheme

The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £72,936 (1998: £97,770). Contributions totalling £13,536 (1998 : £21,607) were prepaid at the Balance Sheet date and are included in Debtors.

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 £37,334 (1998 : £38,408). Contributions totalling £11,943 (1998 : £12,873) 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.

	£	<u>1998</u> £
19. <u>RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS</u>		
Profit for the Financial Year	<u>178,673</u>	<u>163,048</u>
Net Addition To Shareholders' Funds	178,673	163,048
Opening Shareholders' Funds	<u>3,524,475</u>	<u>3,361,427</u>
Closing Shareholders' Funds - Equity Interests	£ 3,703,148 =====	£ 3,524,475 =====

KARL MAYER TEXTILE MACHINERY LIMITED

AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER 1999

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20. TRANSACTIONS WITH RELATED PARTIES

During the year the group purchased from Karl Mayer Textilmaschinenfabrik (KMO) goods and services totalling £776,446 (1998 : £1,686,549). The group also received commission from KMO of £200,526 (1998 : £268,472) 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 Ltd. 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 31<sup>st</sup> December 1999 the amount owing to KMO was £768,622 (1998 : £845,086).

21. CONTROL RELATIONSHIPS

The group is controlled by Mayer Grundstuecks und Verwaltungsgesellschaft KG.

22. PARENT UNDERTAKING

The company's ultimate parent undertaking is Mayer Grundstuecks und Verwaltungsgesellschaft KG, a limited partnership resident in Germany.