

Registration number 950132

Karl Mayer Textile Machinery Limited

Directors' Report and Abbreviated Accounts

for the Year Ended 31 December 2007

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Karl Mayer Textile Machinery Limited
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Karl Mayer Textile Machinery Limited
Officers and Advisors

Directors

J M Smith

A Garrity

K. Priestley

M. Yeabsley

F.P. Mayer (German)

U. M. Mayer (German) (resigned 5 December 2007)

M. Prillmann (appointed 5 December 2007)

Secretary

J M Smith

Registered office

Kings Road
Shepshed
Loughborough
Leicestershire
LE12 9HT

Auditors

Smith Cooper Nottingham
Chartered Accountants and Registered Auditors
Haydn House
309-329 Haydn Road
Nottingham
NG5 1HG

Karl Mayer Textile Machinery Limited
Directors' Report for the Year Ended 31 December 2007

The directors present their report and the audited financial statements for the year ended 31 December 2007

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Directors are required by company law to prepare financial statements which give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for the period ending on that date. In preparing those financial statements, directors are required to:

- select suitable accounting policies and 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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of.

Principal activity and business review

The principal activity of the company is to manufacture, sell and act as an agent for the sale of knitting machines.

Karl Mayer Textile Machinery Limited
Directors' Report for the Year Ended 31 December 2007

... continued

Despite the difficult market conditions the directors are still disappointed with the year's results

Certain key markets have shown an economic down turn over the past twelve months which has made a major impact on the turnover compared to previous years. Demand for certain types of machines has fallen but there are encouraging signs for an upturn later in the forthcoming year.

This year has seen stock increase dramatically, partly due to market down turn, but also due to preferential purchasing opportunities. Post year end has seen unforeseen circumstances whereby stock acquired from a supplier where title has not passed to the company has been provided against in order to reduce to net realisable value. A deposit made on stock acquired from this supplier has also been provided for due to the uncertainty of its recoverability.

Major investment has been made in the storage and reconditioning facilities which should see large savings in future years

The business environment in which we operate continues to be challenging. With competition remaining strong and margins continuing to be tight we are aware that any plans for the future development of the business may be subject to unforeseen future events outside of our control

The directors believe that the business is exposed to the following key risks:

- Competition
- Reputation
- Market/regulatory shift

Key Performance Indicators are:

- Turnover
- Product margin
- Profit on ordinary activity before tax

Results and dividend

The results for the company are set out in the financial statements

The directors do not recommend the payment of a dividend.

Fixed assets

In the opinion of the directors no fixed assets have a significant difference in value between the book value reported and the market value

Karl Mayer Textile Machinery Limited
Directors' Report for the Year Ended 31 December 2007

.... .. continued

Directors and their interests

The directors who held office during the year were as follows:

- J.M. Smith
- A. Garrity
- K. Priestley
- M. Yeabsley
- F.P. Mayer (German)
- U. M. Mayer (German) (resigned 5 December 2007)
- M. Prillmann (appointed 5 December 2007)

None of the directors had an interest in the shares of the group at any time during the year

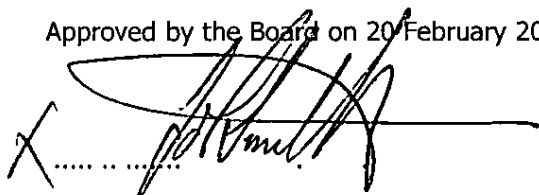
Retirement of directors

In accordance with the Articles of Association, directors are not required to retire from the board on a rotational basis

Auditors

The auditors, Smith Cooper Nottingham, will be proposed for re-appointment in accordance with section 385 of the Companies Act 1985

Approved by the Board on 20 February 2008 and signed on its behalf by


.....
J M Smith
Company Secretary

**Independent Auditors' Report to
Karl Mayer Textile Machinery Limited
Under Section 247B of the Companies Act 1985**

We have examined the abbreviated accounts of Karl Mayer Textile Machinery Limited, set out on pages 6 to 16, together with the financial statements of the company for the year ended 31 December 2007 prepared under section 226 of the Companies Act 1985

This report is made solely to the company, in accordance with Section 247B of the Companies Act 1985. Our work has been undertaken so that we might state to the company those matters we are required to state to it in a special auditors' 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, for our work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with 246A(3) of the Act to the Registrar of Companies and whether the abbreviated accounts to be delivered are properly prepared in accordance with those provisions and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Bulletin 2006/3 "The special auditor's report on abbreviated accounts in the United Kingdom" issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Companies Act 1985, and the abbreviated accounts on pages 6 to 16 are properly prepared in accordance with those provisions.

... ..
Smith Cooper Nottingham
Chartered Accountants and Registered Auditors

20 February 2008

Haydn House
309-329 Haydn Road
Nottingham
NG5 1HG

Karl Mayer Textile Machinery Limited
Abbreviated Profit and Loss Account for the Year Ended 31 December 2007

	Note	2007 £	2006 £
Gross (loss)/profit		(86,357)	2,797,522
Administrative expenses		(2,111,146)	(2,326,779)
Other operating income	2	285,317	235,043
Operating (loss)/profit	3	<u>(1,912,186)</u>	<u>705,786</u>
Other interest receivable and similar income		90,342	108,255
Interest payable and similar charges	7	(71,169)	(30,651)
(Loss)/profit on ordinary activities before taxation		<u>(1,893,013)</u>	<u>783,390</u>
Tax on (loss)/profit on ordinary activities	8	296,000	(225,458)
(Loss)/profit for the financial year		<u>(1,597,013)</u>	<u>557,932</u>
Retained (loss)/profit for the financial year		<u><u>(1,597,013)</u></u>	<u><u>557,932</u></u>

Turnover and operating (loss)/profit derive wholly from continuing operations.

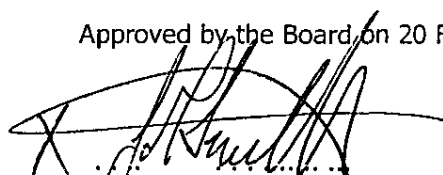
The company has no recognised gains or losses for the year other than the results above

Karl Mayer Textile Machinery Limited
Abbreviated Balance Sheet as at 31 December 2007

		2007		2006	
	Note	£	£	£	£
Fixed assets					
Tangible assets	9	2,683,353		2,151,474	
Investments	10	3,871		3,871	
		<u>2,687,224</u>		<u>2,155,345</u>	
Current assets					
Stocks	11	6,065,661	3,972,283		
Debtors	12	2,746,107	4,754,689		
Cash at bank and in hand		<u>3,114,518</u>	<u>3,606,666</u>		
		11,926,286	12,333,638		
Creditors: Amounts falling due within one year	13	<u>(5,730,766)</u>	<u>(3,933,226)</u>		
Net current assets		<u>6,195,520</u>		<u>8,400,412</u>	
Total assets less current liabilities		8,882,744		10,555,757	
Provisions for liabilities	14	-		<u>(76,000)</u>	
Net assets		<u>8,882,744</u>		<u>10,479,757</u>	
Capital and reserves					
Called up share capital	15	40,000		40,000	
Profit and loss reserve	16	<u>8,842,744</u>		<u>10,439,757</u>	
Equity shareholders' funds	17	<u>8,882,744</u>		<u>10,479,757</u>	

The abbreviated accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium-sized companies

Approved by the Board on 20 February 2008 and signed on its behalf by:



J.M. Smith
Director

Karl Mayer Textile Machinery Limited

Notes to the abbreviated accounts for the Year Ended 31 December 2007

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

Basis of preparation

The full financial statements, from which these abbreviated accounts have been extracted, have been prepared under the historical cost convention.

Under section 248 of the Companies Act 1985 the group is exempt from the requirement to prepare group accounts by virtue of its size. Therefore the group accounts present information about the company as an individual undertaking and not about its group.

Depreciation

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows:

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

Stock

Stock is valued at the lower of cost and net realisable value, after due regard for obsolete and slow moving stocks. Net realisable value is based on selling price less anticipated costs to completion and selling costs.

Deferred taxation

Deferred tax is provided in full on timing differences which represent a liability at the balance sheet date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income or expenditure in tax computations in periods different from those in which they are included in the financial statements. Deferred tax assets and liabilities are not discounted.

Foreign currencies

Profit and loss account transactions in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into sterling at the closing rates at the balance sheet date and the exchange differences are included in the profit and loss account.

Accounting for leases by lessor

Finance leases

Amounts due under finance leases are included as a debtor at the amount of the net investment in the lease.

Lease payments receivable are apportioned between repayments of capital and interest so as to give a constant periodic rate of return on the net cash investment in the lease.

Karl Mayer Textile Machinery Limited

Notes to the abbreviated accounts for the Year Ended 31 December 2007

..... continued

Operating leases

Assets held for use in operating leases are included as part of Plant and Machinery in fixed assets at cost and depreciated over their rental period on a straight line basis taking into account their residual value.

Rental income from operating leases is recognised as it is received over the term of the lease and included in UK sales

Pensions

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. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

2 Other operating income

	2007 £	2006 £
Technicians' services	152,542	178,393
Commission on machine sales	132,775	56,650
	<u>285,317</u>	<u>235,043</u>

3 Operating (loss)/profit

Operating (loss)/profit is stated after charging/(crediting):

	2007 £	2006 £
Hire of plant and machinery (Operating Leases)	2,705	2,708
Auditors' remuneration - audit services	9,350	7,500
Foreign currency (gains)/losses	(65,664)	35,752
Profit on sale of tangible fixed assets	(1,571)	(9,600)
Depreciation of owned tangible fixed assets	<u>145,117</u>	<u>156,466</u>

Income included in UK sales;

	2007 £	2006 £
Operating lease income on Plant & Machinery	<u>80,866</u>	<u>90,730</u>

4 Exceptional items

Included in the operating loss are provisions of £1,833,793 in respect of stock acquired from a supplier where title has not passed to the company. £1,716,552 has been provided against stock in order to reduce to net realisable value and £117,241 against debtors in respect of a deposit paid against additional stock which may not be recoverable.

Karl Mayer Textile Machinery Limited

Notes to the abbreviated accounts for the Year Ended 31 December 2007

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5 Particulars of employees

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows

	2007 No.	2006 No.
Sales and distribution	18	18
Administration	7	7
Management	8	8
	<u>33</u>	<u>33</u>

The aggregate payroll costs of these persons were as follows:

	2007 £	2006 £
Wages and salaries	1,353,259	1,367,128
Social security	148,540	145,455
Other pension costs and health insurance	140,500	124,108
	<u>1,642,299</u>	<u>1,636,691</u>

6 Directors' emoluments

The directors' emoluments for the year are as follows

	2007 £	2006 £
Directors' emoluments (including benefits in kind)	554,044	629,314
Directors' pension contributions	65,317	63,561
	<u>619,361</u>	<u>692,875</u>

During the period the number of directors who were accruing benefits under company pension schemes was as follows:

	2007 No.	2006 No.
Money purchase	<u>4</u>	<u>4</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £232,689 (2006 - £258,648), and company pension contributions of £36,300 (2006 - £39,600) were made to a money purchase scheme on their behalf

Karl Mayer Textile Machinery Limited

Notes to the abbreviated accounts for the Year Ended 31 December 2007

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7 Interest payable and similar charges

	2007 £	2006 £
Loan interest	<u>71,169</u>	<u>30,651</u>

8 Taxation

Analysis of current period tax (credit)/charge

	2007 £	2006 £
Current tax		
Corporation tax (credit)/charge	(220,000)	220,000
(Over)/under provision in previous year	<u>-</u>	<u>(11,542)</u>
UK Corporation tax	<u>(220,000)</u>	<u>208,458</u>
Deferred tax		
Origination and reversal of timing differences	<u>(76,000)</u>	<u>17,000</u>
Total tax on (loss)/profit on ordinary activities	<u>(296,000)</u>	<u>225,458</u>

Factors affecting current period tax (credit)/charge

The tax assessed on the (loss)/profit on ordinary activities for the year is higher than (2006 - lower than) the standard rate of corporation tax in the UK of 30.00% (2006 - 30.00%).

The differences are reconciled below

	2007 £	2006 £
(Loss)/profit on ordinary activities before taxation	<u>(1,893,013)</u>	<u>783,390</u>
Standard rate corporation tax (credit)/charge	(567,904)	235,017
Expenses not deductible for tax purposes	4,944	1,776
Accelerated capital allowances	(17,703)	(16,793)
Adjustments in respect of previous periods	-	(11,542)
Losses available for carry forward	360,663	-
Total current tax for the year	<u>(220,000)</u>	<u>208,458</u>

The company has trading losses of £1,204,358 available for carry forward against future profits. No deferred tax asset has been provided in respect of these losses as the recoverability is uncertain

Karl Mayer Textile Machinery Limited

Notes to the abbreviated accounts for the Year Ended 31 December 2007

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9 Tangible fixed assets

	Land and buildings £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost					
As at 1 January 2007	1,729,023	708,010	136,619	157,929	2,731,581
Additions	720,933	72,726	7,953	35,335	836,947
Disposals	-	(277,807)	-	(35,709)	(313,516)
As at 31 December 2007	<u>2,449,956</u>	<u>502,929</u>	<u>144,572</u>	<u>157,555</u>	<u>3,255,012</u>
Depreciation					
As at 1 January 2007	178,517	225,943	84,734	90,913	580,107
Eliminated on disposals	-	(133,784)	-	(19,781)	(153,565)
Charge for the year	35,982	50,393	23,911	34,831	145,117
As at 31 December 2007	<u>214,499</u>	<u>142,552</u>	<u>108,645</u>	<u>105,963</u>	<u>571,659</u>
Net book value					
As at 31 December 2007	<u>2,235,457</u>	<u>360,377</u>	<u>35,927</u>	<u>51,592</u>	<u>2,683,353</u>
As at 31 December 2006	<u>1,550,506</u>	<u>482,067</u>	<u>51,885</u>	<u>67,016</u>	<u>2,151,474</u>

Freehold land and buildings

The gross book value of freehold land and buildings includes £2,349,956 (2006 - £1,629,023) of depreciable assets

Karl Mayer Textile Machinery Limited

Notes to the abbreviated accounts for the Year Ended 31 December 2007

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10 Investments held as fixed assets

	Group shares £
Cost	
As at 1 January 2007 and 31 December 2007	<u>3,871</u>
Net book value	
As at 31 December 2007	<u>3,871</u>
As at 31 December 2006	<u>3,871</u>

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

	Country of incorporation	Principal activity	Class	%	Year end
Subsidiary undertakings					
KMUK Holdings Corp	America	to act as an agent for the sale of knitting machines	Ordinary	100	31 December 2007

11 Stocks and work in progress

	2007 £	2006 £
Goods for resale	<u>6,065,661</u>	<u>3,972,283</u>

12 Debtors

	2007 £	2006 £
Trade debtors	2,286,548	2,464,091
Amounts owed by group undertakings	-	1,989,875
Other debtors	376,077	196,545
Prepayments and accrued income	83,482	104,178
	<u>2,746,107</u>	<u>4,754,689</u>

Debtors includes £154,745 (2006 - £43,994) receivable after more than one year

This can be analysed as follows

	2007 £	2006 £
Trade debtors	<u>154,745</u>	<u>43,994</u>

Karl Mayer Textile Machinery Limited

Notes to the abbreviated accounts for the Year Ended 31 December 2007

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13 Creditors: Amounts falling due within one year

	2007 £	2006 £
Trade creditors	1,379,009	914,273
Corporation tax	-	120,000
Social security and other taxes	81,359	102,768
Amounts owed to group undertakings	3,668,242	2,030,336
Accruals and deferred income	602,156	765,849
	<u>5,730,766</u>	<u>3,933,226</u>

14 Provisions for liabilities

	Deferred tax provision £
As at 1 January 2007	76,000
Deferred tax provision charged to the profit and loss account	-
Deferred tax provision utilised in the period	<u>(76,000)</u>
As at 31 December 2007	<u>-</u>

15 Share capital

	2007 £	2006 £
Authorised		
Equity		
40,000 Ordinary shares of £1 each	<u>40,000</u>	<u>40,000</u>
Allotted, called up and fully paid		
Equity		
40,000 Ordinary shares of £1 each	<u>40,000</u>	<u>40,000</u>

Karl Mayer Textile Machinery Limited

Notes to the abbreviated accounts for the Year Ended 31 December 2007

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16 Reserves

	Profit and loss reserve £
Balance at 1 January 2007	10,439,757
Transfer from profit and loss account for the year	(1,597,013)
Balance at 31 December 2007	<u>8,842,744</u>

17 Reconciliation of movements in shareholders' funds

	2007 £	2006 £
(Loss)/profit attributable to members of the company	<u>(1,597,013)</u>	<u>557,932</u>
	(1,597,013)	557,932
Opening equity shareholders' funds	<u>10,479,757</u>	<u>9,921,825</u>
Closing equity shareholders' funds	<u>8,882,744</u>	<u>10,479,757</u>

18 Capital commitments

Expenditure contracted for but not provided in the financial statements:

	2007 £	2006 £
Fixed assets	<u>250,000</u>	<u>820,000</u>

19 Operating lease commitments

As at 31 December 2007 the company had annual commitments under non-cancellable operating leases as follows

	Land and Buildings		Other	
	2007 £	2006 £	2007 £	2006 £
Within one year	<u>-</u>	<u>18,750</u>	<u>2,484</u>	<u>-</u>

Karl Mayer Textile Machinery Limited

Notes to the abbreviated accounts for the Year Ended 31 December 2007

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20 Pension schemes

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £129,230 (2006 - £113,233).

Contributions totalling £nil (2006 £1,450) were prepaid at the balance sheet date and included in debtors

The company previously operated a defined benefit pension scheme which was wound up in September 2007.

21 Related parties

Controlling entity

The ultimate holding undertaking is Karl Mayer Holding Gmbh & Co KG, a limited partnership resident in Germany.