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Company Number: 950132

Karl Mayer Textile Machinery Limited

Group Financial Statements

for the year ended 31st December 2000

*Blythens
Chartered Accountants
Nottingham*



Karl Mayer Textile Machinery Limited

Company Information for the year ended 31st December 2000

Directors

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

Company Secretary

J.M. Smith

Registered Office

Kings Road
Shepshed
Loughborough
Leicestershire
LE12 9HT

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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 2000

The directors present their annual report and audited financial statements for the year ended 31st December 2000.

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 £305,391. After deducting taxation, the profit of £199,872 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)
F.P. Mayer (German)
I. Mayer (German)
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

11th September 2001

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 2000 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 2000 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

**Registered Auditor
Chartered Accountants**

13th September 2001

**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 2000

	Notes	£	2000 £	1999 £
Turnover	2		8,626,067	5,826,738
Other external charges			6,602,388	3,799,426
			<u>2,023,679</u>	<u>2,027,312</u>
Staff costs	3	1,133,479		1,281,168
Depreciation and amortisation		170,288		183,437
Other operating charges		451,827		432,434
			<u>1,755,594</u>	<u>1,897,039</u>
Operating profit	4		268,085	130,273
Profit on disposal of investments			-	72,370
Interest receivable and similar income	5		37,306	71,865
Profit on ordinary activities before taxation			305,391	274,508
Tax on profit on ordinary activities	6		105,519	95,835
Profit on ordinary activities after taxation			199,872	178,673
Retained profit brought forward			3,663,148	3,484,475
Retained profit carried forward			<u>3,863,020</u>	<u>3,663,148</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 2000

	Notes	£	2000 £	1999 £
Fixed Assets				
Intangible assets	7		156,918	236,918
Tangible assets	8		1,026,582	1,078,219
			<u>1,183,500</u>	<u>1,315,137</u>
Current Assets				
Stocks	11	971,842		1,228,718
Debtors: amounts due within one year	12	1,121,925		1,146,373
Debtors: amounts due after one year	12	-		356,620
Cash at bank		1,481,801		1,034,644
		<u>3,575,568</u>		<u>3,766,355</u>
Creditors				
Amounts falling due within one year	13	839,048		1,361,344
Net Current Assets			<u>2,736,520</u>	<u>2,405,011</u>
Total Assets Less Current Liabilities			<u>3,920,020</u>	<u>3,720,148</u>
Provision for Liabilities and Charges				
Deferred taxation	14		17,000	17,000
Net Assets			<u>3,903,020</u>	<u>3,703,148</u>
Capital and Reserves				
Called up share capital	15		40,000	40,000
Profit and loss account			3,863,020	3,663,148
Equity Shareholders' Funds	16		<u>3,903,020</u>	<u>3,703,148</u>

These financial statements were approved by the Board on the 11th September 2001.

On behalf of the Board

J.M. SMITH

DIRECTOR

Karl Mayer Textile Machinery Limited
Company Balance Sheet as at 31st December 2000

	Notes	£	2000 £	1999 £
Fixed assets				
Tangible assets	9		1,025,917	1,077,459
Investments	10		120,000	180,000
			<u>1,145,917</u>	<u>1,257,459</u>
Current assets				
Stocks	11	955,942		1,163,039
Debtors	12	1,175,143		1,522,649
Cash at bank		1,399,202		1,014,499
		<u>3,530,287</u>		<u>3,700,187</u>
Creditors				
Amounts falling due within one year	13	789,259		1,320,127
				<u>1,320,127</u>
Net current assets			2,741,028	2,380,060
Provision for liabilities and charges				
Deferred taxation	14		17,000	17,000
			<u>17,000</u>	<u>17,000</u>
Net assets			<u>3,869,945</u>	<u>3,620,519</u>
Capital and reserves				
Called up share capital	15		40,000	40,000
Profit and loss account			3,829,945	3,580,519
			<u>3,869,945</u>	<u>3,620,519</u>
Equity shareholders' funds			<u>3,869,945</u>	<u>3,620,519</u>

These financial statements were approved by the director on the 11th September 2001.

On behalf of the Board

J.M. SMITH

DIRECTOR

Karl Mayer Textile Machinery Limited

Group Cash Flow Statement for the year ended 31st December 2000

	Notes	2000 £	1999 £
<i>Reconciliation of operating profit to net cash inflow from operating activities:</i>			
<i>Operating profit</i>		268,085	130,273
<i>Depreciation and amortisation charges</i>		170,288	183,437
<i>(Profit) on sale of fixed assets</i>		(8,360)	(3,453)
<i>Decrease/(Increase) in stocks</i>		256,876	(19,885)
<i>Decrease/(Increase) in debtors</i>		372,606	(135,455)
<i>(Decrease)/Increase in creditors</i>		(553,549)	103,635
		<u>505,946</u>	<u>258,552</u>

CASH FLOW STATEMENT

Net cash inflow from operating activities		505,946	258,552
Returns on investments and servicing of finance	20	37,306	71,865
Taxation		(65,804)	(184,000)
Capital expenditure	20	<u>(30,291)</u>	<u>135,504</u>
Cash inflow before use of liquid resources and financing		<u>447,157</u>	<u>281,921</u>
Increase in cash for the year	21	<u>447,157</u>	<u>281,921</u>

Reconciliation of net cash flow to movement in net funds:

<i>Increase in cash in the year</i>	21	447,157	281,921
<i>Net funds at 1st January 2000</i>		<u>1,034,644</u>	<u>752,723</u>
<i>Net funds at 31st December 2000</i>	21	<u>1,481,801</u>	<u>1,034,644</u>

Karl Mayer Textile Machinery Limited

Notes to the Financial Statements for the year ended 31st December 2000

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 2000

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:

	2000	1999
	£	£
United Kingdom	1,822,809	2,625,459
EU	676,787	835,653
Other	6,126,471	2,365,626
	<u>8,626,067</u>	<u>5,826,738</u>

3 Staff Costs

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

	2000	1999
	£	£
Wages and salaries	944,386	1,075,185
Social security costs	90,455	95,713
Other pension costs (Note 19)	98,638	110,270
	<u>1,133,479</u>	<u>1,281,168</u>

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

	2000 Number	1999 Number
Administration	6	6
Management	6	6
Production	4	4
Sales and distribution	19	20
	<u>35</u>	<u>36</u>

Emoluments of the highest paid director:

	2000	1999
	£	£
Remuneration	204,812	206,329
Group contributions to a money purchase pension scheme	4,968	12,318

4 Operating Profit

	2000	1999
	£	£
<i>Operating profit is stated after charging or (crediting):</i>		
Directors' emoluments	330,902	333,878
Directors' contributions to money purchase pension scheme	39,753	46,455
Auditors' remuneration	10,000	11,500
Depreciation of owned assets	90,288	103,437
Amortisation of goodwill	80,000	80,000
(Profit) on disposal of fixed assets	(8,360)	(3,453)
(Gain) on foreign exchange	(13,674)	(48,626)

Retirement benefits have accrued under money purchase pension schemes for 2 directors (1999:2).

Karl Mayer Textile Machinery Limited

Notes to the Financial Statements for the year ended 31st December 2000

5

Interest Receivable	2000	1999
	£	£
Bank interest	36,970	24,690
Other interest	336	47,175
	<u>37,306</u>	<u>71,865</u>

6

Tax on Profit on Ordinary Activities	2000	1999
	£	£
<i>Based on the profit for the year:</i>		
Corporation tax at 30% (1999: 30.25%)	105,550	100,450
Adjustment in respect of previous years	(31)	(4,615)
	<u>105,519</u>	<u>95,835</u>

7

Intangible Fixed Assets		£
Cost		
Goodwill arising on the acquisition of TBC Cutting and Printing Machines Limited		<u>396,918</u>
Amortisation		
At 1st January 2000		160,000
Provided during the year		80,000
At 31st December 2000		<u>240,000</u>
Net Book Value		
At 31st December 2000		<u>156,918</u>
At 31st December 1999		<u>236,918</u>

8

Tangible Fixed Assets				Fixtures, fittings and computer equipment	
The Group	Freehold property	Plant and machinery	Motor vehicles		Total
Cost	£	£	£	£	£
At 1st January 2000	921,120	77,000	299,340	31,005	1,328,465
Additions	-	5,865	13,078	22,748	41,691
Disposals	-	-	(70,649)	-	(70,649)
At 31st December 2000	<u>921,120</u>	<u>82,865</u>	<u>241,769</u>	<u>53,753</u>	<u>1,299,507</u>
Depreciation					
At 1st January 2000	58,171	24,940	156,138	10,997	250,246
Charge for the year	16,440	7,715	53,209	12,924	90,288
Eliminated on disposal	-	-	(67,609)	-	(67,609)
At 31st December 2000	<u>74,611</u>	<u>32,655</u>	<u>141,738</u>	<u>23,921</u>	<u>272,925</u>
Net Book Value					
At 31st December 2000	<u>846,509</u>	<u>50,210</u>	<u>100,031</u>	<u>29,832</u>	<u>1,026,582</u>
At 31st December 1999	<u>862,949</u>	<u>52,060</u>	<u>143,202</u>	<u>20,008</u>	<u>1,078,219</u>

The cost of depreciable assets included in freehold property was £821,120 (1999:£821,120).

Karl Mayer Textile Machinery Limited

Notes to the Financial Statements for the year ended 31st December 2000

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 2000	921,120	76,050	299,340	31,005	1,327,515
Additions	-	5,865	13,078	22,748	41,691
Disposals	-	-	(70,649)	-	(70,649)
At 31st December 2000	921,120	81,915	241,769	53,753	1,298,557
Depreciation					
At 1st January 2000	58,171	24,750	156,138	10,997	250,056
Charge for the year	16,440	7,620	53,209	12,924	90,193
Eliminated on disposal	-	-	(67,609)	-	(67,609)
At 31st December 2000	74,611	32,370	141,738	23,921	272,640
Net Book Value					
At 31st December 2000	846,509	49,545	100,031	29,832	1,025,917
At 31st December 1999	862,949	51,300	143,202	20,008	1,077,459

The cost of depreciable assets included in freehold property was £821,120 (1999:£821,120).

10 Investments

<i>The Company</i>	Shares in Group Undertakings £
Cost	
At 1st January 2000 and at 31st December 2000	300,000
Provided for	
At 1st January 2000	120,000
Provided during the year	60,000
At 31st December 2000	180,000
Net Book Value	
At 31st December 2000	120,000
At 1st January 2000	180,000

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 2000 the aggregate of its share capital and reserves was £(233,843) and its loss for the year amounted to £(109,554).

Karl Mayer Textile Machinery Limited

Notes to the Financial Statements for the year ended 31st December 2000

11	Stocks	2000		1999	
		Group £	Company £	Group £	Company £
	Work in progress	15,900	-	86,905	-
	Goods for resale	955,942	955,942	1,163,039	1,163,039
	Payments on account	-	-	(21,226)	-
		<u>971,842</u>	<u>955,942</u>	<u>1,228,718</u>	<u>1,163,039</u>

12	Debtors	2000		1999	
		Group £	Company £	Group £	Company £
	Trade debtors	1,026,025	972,163	1,305,073	1,290,840
	Amounts owed by other group undertakings	10,605	123,327	13,618	53,327
	Other debtors	30,057	29,607	135,596	129,776
	Prepayments and accrued income	55,238	50,046	48,706	48,706
		<u>1,121,925</u>	<u>1,175,143</u>	<u>1,502,993</u>	<u>1,522,649</u>

All amounts are due within one year.

13	Creditors: Amounts falling due within one year	2000		1999	
		Group £	Company £	Group £	Company £
	Trade creditors	317,290	275,237	68,888	40,495
	Amounts owed to related undertaking	281,956	281,956	768,622	768,622
	Corporation tax	70,000	70,000	38,747	38,297
	Other taxes and social security costs	84,486	80,750	40,874	39,000
	Accruals and deferred income	85,316	81,316	444,213	433,713
		<u>839,048</u>	<u>789,259</u>	<u>1,361,344</u>	<u>1,320,127</u>

14	Deferred Taxation	2000	1999
		£	£
	At 1st January 2000	<u>17,000</u>	<u>17,000</u>
	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>

Karl Mayer Textile Machinery Limited

Notes to the Financial Statements for the year ended 31st December 2000

15 Share Capital

Authorised	2000 £	1999 £
40,000 Ordinary shares of £1 each	40,000	40,000
Allotted and fully paid	2000 £	1999 £
40,000 Ordinary shares of £1 each	40,000	40,000

There was no change in share capital during the year.

16 Reconciliation of the Movement in Shareholders' Funds

	2000 £	1999 £
Profit for the financial year	199,872	178,673
Increase in shareholders' funds	199,872	178,673
Opening shareholders' funds	3,703,148	3,524,475
Closing shareholders' funds	3,903,020	3,703,148

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 £1,391,789 (1999:£776,446). The group also received commission from KMO of £68,910 (1999:£200,526) 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 2000 the amount owing to KMO was £281,956 (1999:£768,622).

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 £38,801 (1999:£37,334). Contributions totalling £13,149 (1999:£11,943) 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.

Karl Mayer Textile Machinery Limited

Notes to the Financial Statements for the year ended 31st December 2000

19 Pensions (continued)

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 £59,837 (1999:£72,936). Contributions totalling £10,829 (1999:£13,536) were prepaid at the balance sheet date and are included in debtors.

20 Gross Cash Flows

Returns on investments and servicing of finance	2000 £	1999 £
Interest received	37,306	71,865
Net cash inflow for returns on investments and servicing of finance	37,306	71,865
 Capital expenditure	 2000 £	 1999 £
Purchase of tangible fixed assets	(41,691)	(93,939)
Proceeds from the sale of fixed assets	11,400	9,212
Proceeds from the sale of fixed asset investments	-	220,231
Net cash (outflow)/inflow for capital expenditure and financial investment	(30,291)	135,504

21 Analysis of Changes in Net Debt

	At 1st January 2000 £	Cashflows £	At 31st December 2000 £
Cash in hand, at bank	1,034,644	447,157	1,481,801
Total	1,034,644	447,157	1,481,801