

MOSSLEY HOLDINGS LIMITED

Report and Accounts

31 December 2000

 ERNST & YOUNG



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Mossley Holdings Limited

Registered No. 266909

DIRECTORS

D Meillassoux (Managing Director - French)
J C Mazingue (French)
S J Garner

SECRETARY

Ms K Richards

AUDITORS

Ernst & Young LLP
100 Barbirolli Square
Manchester
M2 3EY

BANKERS

England:-

National Westminster Bank PLC
HSBC

France:-

Banque Nationale de Paris (BNP)
CIN, (Group CIC)
Credit du Nord
Credit Lyonnais
Banque Kolb

SOLICITORS

Mace and Jones
Manchester

REGISTERED OFFICE

Carrhill Mill
Mossley
Ashton-Under-Lyne
Lancashire
OL5 9AU

Mossley Holdings Limited

DIRECTORS' REPORT

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

ACTIVITIES

The principal activities of the group are the manufacture and supply of yarns, fabrics and finished garments for the clothing industry.

REVIEW OF OPERATIONS

Group turnover for 2000 increased by 11.4% from 1999, which resulted in a group operating profit before rationalisation and reorganisation costs of £60,757 (1999 loss of £553,084).

As in previous years, the group continues to adapt to the changing needs of the marketplace, thus leading to heavy restructuring costs.

Net interest payable increased due to the finance costs of the purchase of Bermudes, a high quality outdoor clothing brand name.

The net loss of £944,192 is similar to 1999 but is stated after a depreciation charge of £2,210,410.

DIVIDENDS

The directors do not recommend payment of a dividend.

SUBSEQUENT EVENTS

On 12 March 2002 Mossley Badin S.A., the group's listed subsidiary undertaking, was placed 'en redressement judiciaire' by the commercial tribunal in Rouen, France. This is explained further in note 1 to the accounts.

RESEARCH AND DEVELOPMENT

It is the intention of the group to keep abreast of all developments relating to the technical and market prospects of yarns and fabrics and to continue to be in the forefront of any move regarding fashion related demand.

FUTURE PROSPECTS

The directors are confident that, with a policy of attention to cutting costs and an ability to react to market conditions, the group is capable of maintaining its position in its sector.

FIXED ASSETS

Fixed asset movements are summarised in notes 10 to 12 to the financial statements.

DIRECTORS

The members of the Board who served as directors of the company during 2000 are Messrs D Meillassoux, S J Garner, K R Eaton (resigned 1 October 2001) and Mr J C Mazingue

The directors have no direct beneficial interests, as defined by the Companies Act 1985, in the shares of the company at 1 January 2000 and 31 December 2000.

Mossley Holdings Limited

DIRECTORS' REPORT

HOLDING COMPANY

The company is a wholly owned subsidiary of Omnium Textile S.A., a company incorporated in Luxembourg. The only director who has an interest in the holding company is D Meillassoux who, at 31 December 2000, held 8,534 shares through a company in which he has a controlling interest (1999 - 8,534 shares).

HEALTH AND SAFETY

The highest standards of health and safety are maintained in full accord with the spirit of the appropriate legislation and in consultation with employees and unions.

EMPLOYEE INVOLVEMENT

The development of a good human relations policy and the evolution of employee communications and involvement is the constant aim of the company.

Employees are systematically provided with information on matters of interest and concern through regular meetings and committees throughout the group. Employees are encouraged to seek information of interest to them direct from the Personnel Departments, their managers and directors. It is the group's aim to provide employees with information to achieve a common awareness of the financial and economic factors affecting the performance of the group and its constituent companies.

DISABLED EMPLOYEES

We have continued our policy of giving disabled people full and fair consideration for all job vacancies for which they offer themselves as suitable applicants having regard to their particular aptitudes and abilities. Where existing employees become disabled our policy is, wherever practical, to provide continuing employment and to provide training and career development and promotion wherever appropriate.

AUDITORS

Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the annual general meeting.

On 28 June 2001, Ernst & Young, the company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to re-appoint Ernst & Young LLP as the company's auditor will be put to the forthcoming Annual General Meeting.

By order of the Board

D Meillassoux
Director

28/09/02

Mossley Holdings Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors confirm that the accounts comply with the above requirements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the accounts comply with the Companies Act 1985. They 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.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MOSSLEY HOLDINGS LIMITED**

We have audited the company's financial statements for the year ended 31 December 2000 which comprise consolidated Profit and Loss Account, consolidated Balance Sheet, company Balance Sheet, consolidated Cash Flow Statement, Group Statement of Total Recognised Gains and Losses, and the related notes 1 to 25. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of 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 United Kingdom law and 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 group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit 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 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.

Fundamental uncertainty

In forming our opinion we have considered the adequacy of the disclosures made in note 1 to the financial statements regarding the filing by the subsidiary undertaking, Mossley Badin S.A., for financial restructuring under the judicial order of a commercial tribunal in France. The financial statements are prepared on the going concern basis, the validity of which is highly dependent on the outcome of these proceedings. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

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 31 December 2000 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Manchester

30/4/00

Mossley Holdings Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31 December 2000

	Note	2000 £	1999 £
GROUP TURNOVER	3	57,959,031	52,041,235
Cost of sales		(48,364,479)	(42,847,034)
Gross profit		9,594,552	9,194,201
Distribution costs		(3,318,843)	(2,903,947)
Administrative expenses		(6,214,952)	(6,843,338)
		(9,533,795)	(9,747,285)
Group rationalisation and reorganisation costs	5(a)	60,757 (890,000)	(553,084) (1,081,000)
GROUP OPERATING LOSS		(829,243)	(1,634,084)
Share of operating profit in associate		312,284	364,674
Amortisation of goodwill arising on acquisition of associate		(14,900)	(14,720)
TOTAL OPERATING LOSS - GROUP AND ASSOCIATE		(531,859)	(1,284,130)
(Loss)/profit on sale of fixed assets		(128,872)	545,805
Interest payable (net)	6	(660,731) (990,913)	(738,325) (726,339)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,651,644)	(1,464,664)
Tax on loss on ordinary activities	8	(75,494)	(87,611)
LOSS AFTER TAXATION		(1,727,138)	(1,552,275)
Minority interests		782,946	567,165
LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY		(944,192)	(985,110)

Mossley Holdings Limited

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2000

	2000	1999
	£	£
Loss attributable to members of the parent company	(944,192)	(985,110)
Exchange difference on retranslation of net assets of subsidiary undertakings	116,878	(788,433)
Revaluation of land	771,456	-
Total recognised losses related to the year	<u>(55,858)</u>	<u>(1,773,543)</u>

Mossley Holdings Limited

CONSOLIDATED BALANCE SHEET at 31 December 2000

	Note	2000 £	1999 £
FIXED ASSETS			
Intangible assets	9	791,948	-
Tangible assets	10	10,115,039	9,184,854
Investments	11	848,469	710,444
		<u>11,755,456</u>	<u>9,895,298</u>
CURRENT ASSETS			
Stocks	12	16,623,458	14,686,683
Debtors	13	20,747,045	14,323,430
Cash at bank and in hand		359,779	693,280
		<u>37,730,282</u>	<u>29,703,393</u>
CREDITORS: amounts falling due within one year			
Bank loans and overdrafts	16	14,441,691	9,829,641
Trade and other creditors	14	19,440,091	14,285,076
		<u>33,881,782</u>	<u>24,114,717</u>
NET CURRENT ASSETS		<u>3,848,500</u>	<u>5,588,676</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>15,603,956</u>	<u>15,483,974</u>
CREDITORS: amounts falling due after more than one year	15	2,223,125	2,145,863
MINORITY INTERESTS		<u>6,436,190</u>	<u>6,337,613</u>
		<u>6,944,641</u>	<u>7,000,498</u>
CAPITAL AND RESERVES			
Called up share capital	18	105,000	105,000
Translation and other reserves	19	654,294	(234,041)
Profit and loss account	20	6,185,347	7,129,539
Shareholders' funds		<u>6,944,641</u>	<u>7,000,498</u>

These financial statements were approved by the Board of Directors on

D Meillassoux

Director

Mossley Holdings Limited

BALANCE SHEET at 31 December 2000

	Note	2000 £	1999 £
FIXED ASSETS			
Investments	11	5,813,666	5,813,666
CURRENT ASSETS			
Debtors	13	63,414	19,502
Cash at bank		10,187	8,909
		<u>73,601</u>	<u>28,411</u>
CREDITORS: amounts falling due within one year	14	<u>2,173,522</u>	<u>2,216,472</u>
NET CURRENT LIABILITIES		<u>(2,099,921)</u>	<u>(2,188,061)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,713,745	3,625,605
CREDITORS: amounts falling due after more than one year	15	<u>535,886</u>	<u>284,360</u>
		<u>3,177,859</u>	<u>3,341,245</u>
CAPITAL AND RESERVES			
Called up share capital	18	105,000	105,000
Profit and loss account	19	3,072,859	3,236,245
Shareholders' funds		<u>3,177,859</u>	<u>3,341,245</u>

These financial statements were approved by the Board of Directors on

D Meillassoux

Director

28/12/00

Mossley Holdings Limited

CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 December 2000

	<i>Note</i>	2000 £	1999 £
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	5(b)	(305,308)	857,480
DIVIDENDS FROM ASSOCIATE		72,200	99,435
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid (net)		(914,202)	(538,170)
TAXATION			
Corporation tax repaid/(paid)		22,866	16,157
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of tangible fixed assets		(1,889,475)	(1,884,858)
Sale of tangible fixed assets		645,855	695,373
NET CASH OUTFLOW FOR CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		(1,243,620)	(1,189,485)
ACQUISITIONS AND DISPOSALS			
Purchase of "Bermudes" trademark and related assets	11(c)	(2,498,000)	-
CASH OUTFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		(4,866,064)	(754,583)
MANAGEMENT OF LIQUID RESOURCES		-	-
FINANCING			
Increase in long-term loans and overdrafts		4,511,251	87,193
NET CASH INFLOW FROM FINANCING		4,511,251	87,193
DECREASE IN CASH IN THE YEAR		(354,813)	(667,390)

Mossley Holdings Limited

CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 December 2000 (continued)

	2000	1999
	£	£
Decrease in cash in the period	(354,813)	(667,390)
Cash (inflow)/outflow from (increase)/decrease in long-term loans and overdrafts	(4,511,251)	(87,193)
Change in net debt resulting from cash flows	(4,866,064)	(754,583)
Exchange and other non-cash movements	(156,749)	1,144,126
Net debt at 1 January 2000	(11,282,224)	(11,671,767)
Net debt at 31 December 2000	(16,305,037)	(11,282,224)

ANALYSIS OF NET DEBT

	<i>At</i> 1 January 2000 £	<i>Cash</i> <i>flow</i> £	<i>Exchange</i> <i>movement</i> £	<i>Other</i> <i>non-cash</i> <i>movements</i> £	<i>At</i> 31 December 2000 £
Cash at bank and in hand	693,280	(354,813)	21,312	-	359,779
Bank overdrafts and loans falling due within one year	(9,829,641)	(4,465,259)	(146,791)	-	(14,441,691)
Bank and other loans falling due after more than one year	(2,145,863)	(45,992)	(31,270)	-	(2,223,125)
	(11,282,224)	(4,866,064)	(156,749)	-	(16,305,037)

Mossley Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2000

1 FUNDAMENTAL UNCERTAINTY

On 12 March 2002 Mossley Badin S.A., the group's subsidiary undertaking that is listed on the Paris Stock Exchange, was put into judicial reorganisation ('redressement judiciaire') by the commercial tribunal in Rouen, France which now has jurisdiction over the company. This arose because the company was unable to meet payments of loan liabilities following the hardening of lending conditions set by its bankers. This judicial reorganisation is a form of bankruptcy filing in France, which allows the company to be protected from its creditors for an initial period of six months pending the preparation and agreement of a financial restructuring plan for the business by an administrator appointed by the court for this purpose. The administrator will need to consider alternative actions such as liquidation if no such plan can be agreed.

The accounts have been prepared on the going concern basis, which assumes that the group will continue in operational existence for the foreseeable future. The validity of this assumption is highly dependent on the outcome of the above proceedings affecting Mossley Badin S.A. that is not expected to be known until September 2002. Nonetheless, the directors consider it appropriate to prepare the accounts on the going concern basis because they expect to be able to agree a satisfactory outcome to the proceedings that will enable the company to continue trading.

The accounts do not include any adjustments that would result if the outcome of the proceedings was that Mossley Badin S.A. was unable to continue as a going concern.

The directors do not consider it possible to determine with reasonable accuracy the effects on the accounts of Mossley Badin S.A. not continuing as a going concern, but adjustments would have to be made to reduce the value of the company's assets to their realisable amount and to provide for any further liabilities which might arise. The net assets of Mossley Badin S.A. at 31 December 2000, as reported in these accounts and stated before adjustments for minority interests, were £10,044,000 (£5,223,000 stated after minority interests). The investment in Mossley Badin S.A. in the accounts of the holding company, Mossley Holdings Limited, amounts to £2,643,000 and would also have to be adjusted if the subsidiary undertaking did not continue as a going concern. Similarly the group's investment in the associate Mossley Sartel SA, which is also in judicial reorganisation, amounting to £768,334 (note 11(b)), together with the debtor balance owed by the associate of £241,658 (note 13), would also have to be adjusted if this company did not continue as a going concern. There was no inter-company indebtedness by Mossley Badin S.A. to other group companies at 31 December 2000.

2 ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain land and buildings and in accordance with applicable accounting standards.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and all its material subsidiary undertakings for all financial periods ended 31 December 2000. In the circumstances where the group's shareholding is equal to or less than 50% of the share capital of the undertaking, but the group has effective control and is able to exert dominant influence over that business, the results and assets and liabilities of that business are consolidated as subsidiary undertakings.

Associates

Entities other than subsidiary undertakings, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence are treated as associates. In the group financial statements, associates are accounted for using the equity method.

Mossley Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2000

2 ACCOUNTING POLICIES (continued)

Intangible fixed assets

Depreciation is not provided on purchased trade marks but an annual impairment review is performed in order to determine whether the book value should be written down in the year-end balance sheet.

Tangible fixed assets

Depreciation is not provided on freehold land. On other assets it is provided on cost or valuation over the estimated lives of the assets. The periods over which different categories of assets are depreciated are as follows:

Freehold buildings	50 years
Fixtures and fittings)	
Plant and equipment)	6 2/3 – 10 years
Office equipment)	
Motor vehicles)	2 – 4 years

Investments

Other investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents materials, direct labour and appropriate production overheads.

Deferred taxation

Deferred taxation is provided at the anticipated tax rate on differences arising from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

Pension costs

Retirement benefits to certain employees in the United Kingdom are funded by contributions from the company and employees to a funded defined benefit scheme. The annual cost charged to the profit and loss account takes account of contributions made to the scheme and any surpluses or deficits which are dealt with over the expected service lives of the employees.

Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees. Differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet.

Such payments are charged against profit in the year in which they are payable.

Foreign exchange

The financial statements of foreign subsidiaries are translated into sterling at the closing rate of exchange and the differences arising from the consolidation of the group net investment in the subsidiary at the closing rate is taken direct to reserves. Other translation differences are dealt with in the profit and loss account.

Mossley Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2000

2 ACCOUNTING POLICIES (continued)

Leases

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The excess of the lease payments over the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation. Rental costs under operating leases are charged to profit and loss account in equal annual amounts over the periods of the leases.

Goodwill

With effect from 1 January 1998, purchased and consolidation goodwill is capitalised, classified as an asset in the balance sheet and amortised on a straight line basis over its useful economic life, subject to annual impairment reviews. Previously, goodwill was set off directly against reserves in the year of acquisition.

3 TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and arises from one activity, the manufacture and supply of yarns, fabrics and finished garments for the clothing industry. All activities are carried out in one geographical segment, the European Community.

A geographical analysis of the destination of turnover is as follows:

	2000 £	1999 £
EC countries	52,851,840	47,587,963
Non-EC countries	5,107,191	4,453,272
	<u>57,959,031</u>	<u>52,041,235</u>

4 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2000 £	1999 £
Directors' emoluments	276,249	216,767
Company contributions paid to money purchase pension schemes (or equivalent overseas)	<u>31,434</u>	<u>21,105</u>
Emoluments of highest paid director	<u>152,308</u>	<u>158,530</u>
Company contributions paid for highest paid director to money purchase pension schemes (or equivalent overseas)	<u>15,650</u>	<u>15,142</u>
	2000 No.	1999 No.
Directors who are members of money purchase pension schemes (or equivalent overseas)	<u>3</u>	<u>2</u>
Directors who are members of defined benefit pension schemes	<u>0</u>	<u>0</u>

Mossley Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2000

4 INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	2000 £	1999 £
Employee costs during the year:		
Wages and salaries	7,944,891	8,191,476
Social security costs	2,555,418	2,559,583
Other pension costs	25,912	44,094
	<u>10,526,221</u>	<u>10,795,153</u>
	2000 No.	1999 No.
Average number of persons employed:		
Production	559	577
Administration	86	92
	<u>645</u>	<u>669</u>

5 GROUP OPERATING LOSS

(a) The group operating loss is stated after charging/(crediting):

	2000 £	1999 £
(Profit)/loss on exchange	(23,861)	(181,115)
Hire of plant and machinery	847	4,427
Operating leases	548,244	269,932
Depreciation	2,210,410	2,384,975
Auditors' remuneration - audit services - UK (Ernst & Young)	14,500	14,600
- audit services - overseas (other firms)	101,061	95,734
Group rationalisation and reorganisation costs, being cost of redundancies and restructuring in the subsidiary undertakings	890,000	1,081,000

The group rationalisation and reorganisation costs are stated before related losses on sales of fixed assets, which in aggregate amounted to £139,222 (1999 profit of £545,805)

(b) Reconciliation of operating loss to net cash inflow from operating activities:

	2000 £	1999 £
Group operating loss	(829,243)	(1,634,475)
Exchange gain on inter-company loans	-	(121,861)
Amortisation of goodwill	14,900	-
Depreciation	2,210,410	2,384,975
Movement in - stocks	(422,775)	1,444,089
- debtors	(6,142,615)	(848,534)
- creditors	4,864,015	(366,714)
Net cash (outflow)/inflow from operating activities	<u>(305,308)</u>	<u>857,480</u>

Mossley Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2000

6 INTEREST PAYABLE (NET)

	2000 £	1999 £
Interest payable:		
Bank loans, overdrafts and other loans repayable within five years	601,565	370,633
Finance charges - discounting	318,496	296,943
Other	-	6,481
	<u>920,061</u>	<u>674,057</u>
Interest receivable:		
Bank interest	5,859	17,297
	<u>914,202</u>	<u>656,760</u>
Group interest payable less receivable	76,711	69,579
Share of associate's interest payable (net)	<u>990,913</u>	<u>726,339</u>

7 PROFIT OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The consolidated profit and loss account includes a loss on ordinary activities before taxation of £26,188 (1999 profit: £130,721) which is dealt with in the financial statements of the parent company.

8 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000 £	1999 £
Overseas taxation (credit)/charge	(22,866)	59,869
United Kingdom deferred tax	-	(90,000)
	<u>(22,866)</u>	<u>(30,131)</u>
Share of associate's tax	98,360	117,742
	<u>75,494</u>	<u>87,611</u>

If full provision had been made for deferred taxation for the year, the taxation charge would have been increased by £35,125 (1999:reduced by £14,285), as follows:

	2000 £	1999 £
Accelerated capital allowances	29,643	5,963
Other timing differences	35,139	(8,820)
Trading losses	(29,657)	(11,428)
	<u>35,125</u>	<u>(14,285)</u>

Mossley Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2000

9 INTANGIBLE FIXED ASSETS

	<i>"Bermudes"</i> trade mark £
GROUP	
Cost:	
Acquisition during year and balance at 31 December 2000	791,948

10 TANGIBLE FIXED ASSETS

	<i>Freehold land and buildings</i> £	<i>Plant, equipment and vehicles</i> £	<i>Total</i> £
GROUP			
Cost or valuation:			
At 1 January 2000	5,369,541	22,756,572	28,126,113
Additions	95,663	1,793,812	1,889,475
Acquisition	-	350,000	350,000
Revaluation of land	1,542,912	-	1,542,912
Disposals	(489,549)	(2,364,773)	(2,854,322)
Foreign exchange translation	81,084	273,918	355,002
At 31 December 2000	6,599,651	22,809,529	29,409,180
Accumulated depreciation:			
At 1 January 2000	2,610,033	16,331,226	18,941,259
Charge for the year	158,288	2,052,122	2,210,410
Disposals	(101,446)	(1,968,447)	(2,069,893)
Foreign exchange translation	42,372	169,993	212,365
At 31 December 2000	2,709,247	16,584,894	19,294,141
Net book value:			
At 31 December 2000	3,890,404	6,224,635	10,115,039
At 1 January 2000	2,759,508	6,425,346	9,184,854

The loss on sale of fixed assets of £128,872 (1999: profit £545,805) includes a loss of £141,479 (1999: profit of £270,049) in respect of minority interests and a profit of £10,350 (1999: £3,306) in respect of the associate.

The land revalued in the year at £1,639,344 (FF 17m) was that owned by Roville SARL at Hem in France. The valuation was based on information provided by Bourdais, external property consultants, who provided a range of values for this purpose that assumes that the site will be decontaminated prior to disposal.

Mossley Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2000

11 INVESTMENTS HELD AS FIXED ASSETS

	2000 £	Group 1999 £	2000 £	Company 1999 £
Shares in subsidiary undertakings (net of provisions) (a)	80,135	-	5,813,666	5,813,666
Associate (b)	768,334	710,444	-	-
	<u>848,469</u>	<u>710,444</u>	<u>5,813,666</u>	<u>5,813,666</u>
(a) Subsidiary undertakings				
	2000 £	Group 1999 £	2000 £	Company 1999 £
Listed investment (Paris stock exchange) Mossley Badin S.A.	-	-	2,642,921	2,642,921
	<u>-</u>	<u>-</u>	<u>2,642,921</u>	<u>2,642,921</u>
All other investments are unlisted: Shares in subsidiary undertakings Mossley Holdings Inc (net of provisions)	-	-	-	-
Mossley Spinning Limited	-	-	2,999,488	2,999,488
Roville SFK SA	-	-	39,474	39,474
KNP Limited	-	-	131,783	131,783
SOFACO SA (trade investment)	80,135	-	-	-
	<u>80,135</u>	<u>-</u>	<u>3,170,745</u>	<u>3,170,745</u>
Total investments	<u>80,135</u>	<u>-</u>	<u>5,813,666</u>	<u>5,813,666</u>
(b) Associate		<i>Share of net tangible assets</i>	<i>Goodwill</i>	<i>Total</i>
		£	£	£
At 1 January 2000		577,644	132,800	710,444
Exchange difference and other opening adjustments		10,027	2,300	12,327
Share of distributable profit of associate		132,663	-	132,663
Dividend received from associate		(72,200)	-	(72,200)
Amortisation of goodwill		-	(14,900)	(14,900)
At 31 December 2000		<u>648,134</u>	<u>120,200</u>	<u>768,334</u>

Goodwill is being amortised over the directors' estimate of its useful economic life of 10 years.

Additional information on subsidiary undertakings and associates is given in note 24.

Mossley Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2000

11 INVESTMENTS HELD AS FIXED ASSETS (continued)

(c) Acquisition

In May 2000 the group acquired the "Bermudes" trademark and associated assets and liabilities for a total fair value cash consideration of £2,498,000 made up as follows:

	£'000
Trademark	792
Tangible fixed assets	350
Investment in SOFACO SA	80
Stocks	1,281
Debtors	65
Creditors	(70)
	<u>2,498</u>

The shareholding in Societe de Fabrication Confection ("SOFACO" SA) was acquired as a trade investment (note 24) and therefore the related trading activities have not been included in these consolidated accounts.

12 STOCKS

	2000 £	Group 1999 £	2000 £	Company 1999 £
Raw materials and consumables	3,116,024	2,790,345	-	-
Work in progress	1,457,239	1,268,735	-	-
Finished goods and goods for resale	12,050,195	10,627,603	-	-
	<u>16,623,458</u>	<u>14,686,683</u>	<u>-</u>	<u>-</u>

13 DEBTORS

	2000 £	Group 1999 £	2000 £	Company 1999 £
Amounts falling due within one year:				
Trade debtors	15,415,169	10,615,745	-	-
Other debtors	4,289,121	3,080,166	19,502	19,502
Prepayments and accrued income	801,097	444,865	-	-
Amounts owed by associate	241,658	182,654	-	-
Corporation tax recoverable	-	-	43,912	-
	<u>20,747,045</u>	<u>14,323,430</u>	<u>63,414</u>	<u>19,502</u>

Mossley Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2000

14 TRADE AND OTHER CREDITORS

	2000 £	Group 1999 £	2000 £	Company 1999 £
Trade creditors	14,680,001	9,928,396	-	-
Amounts owed to subsidiary undertakings	-	-	2,168,522	2,211,472
Amounts owed to associate (trading balances)	215,525	649,194	-	-
Taxation and social security	1,884,644	1,760,827	-	-
Other creditors and accruals	2,659,921	1,946,659	5,000	5,000
	<u>19,440,091</u>	<u>14,285,076</u>	<u>2,173,522</u>	<u>2,216,472</u>

15 CREDITORS - amounts falling due after more than one year

	2000 £	Group 1999 £	2000 £	Company 1999 £
Bank loans (note 16)	1,687,238	1,861,503	-	-
Amounts owed to parent undertaking	535,887	284,360	535,886	284,360
	<u>2,223,125</u>	<u>2,145,863</u>	<u>535,886</u>	<u>284,360</u>

16 BORROWINGS

	2000 £	Group 1999 £	2000 £	Company 1999 £
Bank loans and overdrafts				
Secured	-	-	-	-
Unsecured	16,128,929	11,691,144	-	-
	<u>16,128,929</u>	<u>11,691,144</u>	<u>-</u>	<u>-</u>
Less amounts falling due within one year:				
Bank loans and overdrafts	14,441,691	9,829,641	-	-
	<u>14,441,691</u>	<u>9,829,641</u>	<u>-</u>	<u>-</u>
Bank loans falling due after more than one year	1,687,238	1,861,503	-	-
	<u>1,687,238</u>	<u>1,861,503</u>	<u>-</u>	<u>-</u>
	<u>2000 £</u>	<u>Group 1999 £</u>	<u>2000 £</u>	<u>Company 1999 £</u>
Analysis of loan repayments:				
Bank loans and overdrafts				
Within 1 year	14,441,691	9,829,641	-	-
Between 2 and 5 years	1,687,238	1,861,503	-	-
After 5 years	-	-	-	-
	<u>16,128,929</u>	<u>11,691,144</u>	<u>-</u>	<u>-</u>

Mossley Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2000

17 DEFERRED TAXATION

<i>Group</i>	2000		1999	
	<i>Provided</i>	<i>Unprovided</i>	<i>Provided</i>	<i>Unprovided</i>
	£	£	£	£
Accelerated capital allowances	-	39,053	-	10,098
Other timing differences	-	(32,253)	-	(93,933)
Trading losses	-	(41,064)	-	(11,428)
	-	(34,264)	-	(95,263)

The UK group has £1,038,000 (1999: £776,000) of tax losses not recognised above because there are no deferred tax liabilities against which they may currently be set.

18 CALLED UP SHARE CAPITAL

	2000	1999
	£	£
Authorised, allotted and fully paid Ordinary shares of £1 each	105,000	105,000

19 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

<i>Group</i>	<i>Share capital</i>	<i>Translation and other reserves</i>	<i>Profit and loss account</i>	<i>Total</i>
	£	£	£	£
At 1 January 1999	105,000	554,392	8,114,649	8,774,041
Loss attributable to members of the parent undertaking	-	-	(985,110)	(985,110)
Translation difference on investments in subsidiary undertakings	-	(788,433)	-	(788,433)
At 31 December 1999	105,000	(234,041)	7,129,539	7,000,498
Loss attributable to members of the parent undertaking	-	-	(944,192)	(944,192)
Translation difference on investments in subsidiary undertakings	-	116,879	-	116,879
Revaluation of land (net of minority interest)	-	771,456	-	771,456
At 31 December 2000	105,000	654,294	6,185,347	6,944,641

Mossley Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2000

19 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

(continued)

<i>Company</i>	<i>Share capital £</i>	<i>Profit and loss account £</i>	<i>Total £</i>
At 1 January 1999 undertaking	105,000	3,248,556 (12,311)	3,353,556 (12,311)
At 31 December 1999	105,000	3,236,245	3,341,245
Loss attributable to members of the parent undertaking	-	(163,386)	(163,386)
At 31 December 2000	105,000	3,072,859	3,177,859

20 CAPITAL COMMITMENTS

	<i>2000 £</i>	<i>Group 1999 £</i>	<i>2000 £</i>	<i>Company 1999 £</i>
Contracted for but not provided for	450,000	-	-	-

21 CONTINGENT LIABILITIES

	<i>2000 £</i>	<i>Group 1999 £</i>	<i>2000 £</i>	<i>Company 1999 £</i>
Discounted bills of exchange	1,481,389	1,925,972	-	-
Potential liability for future retirement payments in respect of employees of French subsidiary undertakings who reach retirement age	699,605	511,645	-	-

22 OPERATING LEASE COMMITMENTS

At 31 December 2000 the group was committed to making the following payments during the next year:

	<i>Land and buildings £</i>	<i>Group Other £</i>	<i>Land and buildings £</i>	<i>Company Other £</i>
Leases which expire:				
Within one year	-	384	-	-
Within two to five years	129,546	402,480	-	-
After five years	-	-	-	-
	129,546	402,864	-	-

Mossley Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2000

23 PENSION SCHEME

The total pension fund cost in 2000 was £25,912 (1999: £44,094) which relates to the UK scheme and is assessed in accordance with the advice of qualified actuaries. The last valuation carried out was at 31 December 1998, and the market value of the scheme's assets at that date was £1,942,000.

Details of the UK scheme are contained in the accounts of Mossley Spinning Limited. Steps were taken in 2000 to wind up the present scheme and it was closed to new members on 31 December 2000 when company contributions ceased. A money purchase scheme was established in its place from 1 January 2001.

24 ADDITIONAL INFORMATION ON SUBSIDIARY UNDERTAKINGS AND ASSOCIATE

<i>Subsidiary undertakings</i>	<i>Country of incorporation and operation</i>	<i>Mossley Holdings Limited Ordinary shares</i>	<i>Notes</i>	<i>Activity</i>
Mossley Badin SA	France	52%		Textiles
Barentin SARL	France	52%	1	Textiles
Hellemmes SARL	France	52%	1,5	Textiles
Laveline SARL	France	52%	1	Textiles
Le Thillot SARL	France	52%	1	Textiles
Mossley Adana	Turkey	52%	6	Dormant in 2000
SFK SA	France	50%		Textiles
Romann Fashion SARL	France	50%	2	Textiles
Tissage de Sion SARL	France	50%	2	Textiles
Tissage de L'Est SARL	France	50%	2	Textiles
Roville SARL	France	50%	2	Textiles
SFK Istanbul	Turkey	26%	6	Dormant in 2000
SOFACO SA	Tunisia	33%	7	Textiles
Mossley Spinning Limited	Mossley, England	100%		Textiles
KNP Limited	Mossley, England	100%		Computer services
Mossley Holdings Inc	Delaware, USA	100%	3	Non-trading holding
Mossley Inc	Greenville, USA	99%	3	Non-trading textiles
<i>Associate</i>				
Mossley Sartel SA	France	13%	4	Textiles

Notes:

- 1 100% subsidiaries of Mossley Badin SA
- 2 100% subsidiaries of SFK SA (previously Roville SFK SA)
- 3 These subsidiaries are not consolidated into these accounts because the amounts concerned are not material to the group.
- 4 In June 1998 Mossley Badin SA acquired 24.98% of the issued share capital of Mossley Sartel SA. The group's share of profit has been included in the result for the year.
- 5 Hellemmes SARL was put into voluntary liquidation in June 2001.
- 6 Mossley Adana (100% owned by Mossley Badin) and SFK Istanbul (51% owned by SFK) are Turkish companies which were set up in 2000, but had no trading activity during the year.

Mossley Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2000

24 ADDITIONAL INFORMATION ON SUBSIDIARY UNDERTAKINGS AND ASSOCIATE

(continued)

- 7 In May 2000, Roman Fashion acquired the trademark and other assets of "Bermudes", an activity engaged in the outdoor clothing sector. Included in the assets acquired was a 66% share in SOFACO, a company in Tunisia manufacturing high quality garments.

25 ULTIMATE HOLDING COMPANY

The ultimate holding company and controlling party is Omnium Textile S.A., a company incorporated in Luxembourg which does not prepare consolidated accounts that include Mossley Holdings Limited.