

Mossley Holdings Limited

Report and Accounts

31 December 1998



Mossley Holdings Limited

Registered No. 266909

DIRECTORS

D Meillassoux (Managing Director - French)
S J Garner
K R Eaton
J C Mazingue (French) (appointed 20 May 1999)

SECRETARY

K R Eaton A.C.A.

AUDITORS

Ernst & Young
100 Barbirolli Square
Manchester
M2 3EY

BANKERS

England:-

National Westminster Bank PLC
HSBC Midland Bank PLC

France:-

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

SOLICITORS

Mason 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 1998.

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

Turnover decreased by 9% compared to 1997, mainly due to the increased competition in the fabrics division from Asian products. This factor also explains the decrease in the gross profit from 17.0% to 16.3%.

After group restructuring costs of £1,686,504 and a depreciation charge of £2,769,208, the operating profit from ongoing operations was £1,008,651. This restructuring has enabled the group to maintain its margins and competitiveness in the European market place in 1999.

The discontinued operations relate to the closure of the dyeing activity in 1998.

Group profit before interest and taxes was £240,335, against £1,710,750 for 1997.

In June 1998, Mossley Badin acquired 24.98% of the issued share capital of Mossley Sartel SA. This French spinning company has been included in the accounts as an associate.

Despite the net loss for the year of £264,435, Shareholders' Funds have increased due to the positive effect of the exchange rate on converting the French assets into sterling at the year end.

DIVIDENDS

The directors do not recommend payment of a dividend.

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 growth by external acquisition, attention to cutting costs and an ability to react to market conditions, the group is capable of strengthening its position in the textile market.

FIXED ASSETS

Fixed asset movements are summarised in note 9 to the financial statements.

DIRECTORS

The members of the Board who served as directors of the company throughout 1998 are Messrs D Meillassoux, S J Garner and K R Eaton. Mr J C Mazingue was appointed to the board on 20 May 1999.

The directors have no direct beneficial interests, as defined by the Companies Act 1985, in the shares of the company at 1 January 1998 and 31 December 1998.

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 1998, held 8,534 shares through a company in which he has a controlling interest (1997 - 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.

YEAR 2000

As is well known, many computer and digital storage express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in event that there is a failure by other parties to remedy their own year 2000 issues.

The group has completed its assessment of the likely impact on its activities and has developed prioritised action plans to deal with the key risks. These actions are expected to be completed very shortly and include the implementation of new accounting software packages in the group companies affected.

The cost of implementing the action plans is being subsumed into the charges for computer and consultancy services raised upon the group by the subsidiary undertaking, KNP Limited.

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.

By order of the Board



K R Eaton
Secretary

25 October 1999

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.

REPORT OF THE AUDITORS
to the members of Mossley Holdings Limited

We have audited the accounts on pages 7 to 25, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 13 and 14.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

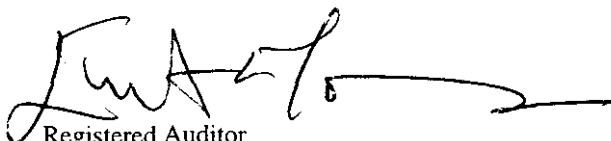
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Registered Auditor
Manchester

28/10/99.

Mossley Holdings Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1998

	Note	1998 £	1997 £
TURNOVER			
Continuing operations:			
ongoing	2	65,963,253	72,427,636
Discontinued operations		411,465	1,144,922
GROUP TURNOVER	2	66,374,718	73,572,558
Cost of sales		(55,534,336)	(61,087,129)
Gross profit		10,840,382	12,485,429
Distribution costs	3	(3,712,849)	(3,797,362)
Administrative expenses	3	(5,806,312)	(6,264,892)
		(9,519,161)	(10,062,254)
		1,321,221	2,423,175
Group reorganisation costs	3	(1,686,504)	(963,434)
OPERATING (LOSS)/PROFIT			
Continuing operations:			
ongoing		1,008,651	1,840,033
Discontinued operations		(1,373,934)	(380,292)
GROUP OPERATING (LOSS)/PROFIT	5	(365,283)	1,459,741
Share of operating profit in associate acquired in 1998		217,836	-
Amortisation of goodwill arising on acquisition of associate		(8,297)	-
TOTAL OPERATING (LOSS)/PROFIT - GROUP AND ASSOCIATE		(155,744)	1,459,741
Profit on sale of fixed assets	9	396,079	251,009
		240,335	1,710,750
Interest payable (net)	6	(1,143,329)	(882,182)
(LOSS) /PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	7	(902,994)	828,568
Tax on (loss)/profit on ordinary activities	8	22,551	(78,448)
(LOSS) /PROFIT AFTER TAXATION		(880,443)	750,120
Minority interests		616,008	(277,145)
(LOSS) /PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY		(264,435)	472,975

Mossley Holdings Limited

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 1998

	<i>Note</i>	<i>1998</i>	<i>1997</i>
		£	£
(Loss)/profit attributable to members of the parent company		(264,435)	472,975
Exchange difference on retranslation of net assets of subsidiary undertakings		356,645	(812,363)
Goodwill written off in respect of previously unconsolidated subsidiary undertaking (KNP Limited)		-	(119,041)
Total recognised gains/(losses) related to the year		<u>92,210</u>	<u>(458,429)</u>

Mossley Holdings Limited

CONSOLIDATED BALANCE SHEET at 31 December 1998

	Note	1998 £	1997 £
FIXED ASSETS			
Tangible assets	9	10,936,225	11,332,371
Investment in associate	10	717,172	-
		<u>11,653,397</u>	<u>11,332,371</u>
CURRENT ASSETS			
Stocks	11	17,991,414	18,170,819
Debtors	12	15,084,721	16,924,661
Cash at bank and in hand		1,307,891	1,247,946
		<u>34,384,026</u>	<u>36,343,426</u>
CREDITORS: amounts falling due within one year			
Bank loans and overdrafts	15	10,674,512	9,236,119
Trade and other creditors	13	16,410,899	19,161,384
		<u>27,085,411</u>	<u>28,397,503</u>
NET CURRENT ASSETS		<u>7,298,615</u>	<u>7,945,923</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>18,952,012</u>	<u>19,278,294</u>
CREDITORS: amounts falling due after more than one year	14,15	2,305,146	2,670,294
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	16	90,000	45,000
MINORITY INTERESTS		<u>7,782,825</u>	<u>7,881,169</u>
		<u>8,774,041</u>	<u>8,681,831</u>
CAPITAL AND RESERVES			
Called up share capital	17,18	105,000	105,000
Translation and other reserves	18	554,392	197,747
Profit and loss account	18	8,114,649	8,379,084
Shareholders' funds		<u>8,774,041</u>	<u>8,681,831</u>

These financial statements were approved by the Board of Directors on 25th October 1999

A handwritten signature, possibly 'K. Khan', is written above a large, hand-drawn arrow that points from the signature area towards the right side of the page.

Mossley Holdings Limited

BALANCE SHEET at 31 December 1998

	Note	1998 £	1997 £
FIXED ASSETS			
Investments	10	5,813,666	5,813,666
CURRENT ASSETS			
Debtors	12	19,502	19,502
Cash at bank		7,473	5,258
		<u>26,975</u>	<u>24,760</u>
CREDITORS: amounts falling due within one year	13	2,487,085	2,322,183
NET CURRENT LIABILITIES		<u>(2,460,110)</u>	<u>(2,297,423)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,353,556</u>	<u>3,516,243</u>
CREDITORS: amounts falling due after more than one year	14,15	-	440,045
		<u>3,353,556</u>	<u>3,076,198</u>
CAPITAL AND RESERVES			
Called up share capital	17	105,000	105,000
Profit and loss account	18	3,248,556	2,971,198
Shareholders' funds		<u>3,353,556</u>	<u>3,076,198</u>

ERNST & YOUNG

These financial statements were approved by the Board of Directors on 25th October 1999

KLS

Mossley Holdings Limited

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 1998

	Note	1998 £	1997 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	5(b)	2,155,904	2,743,172
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid (net)		(1,100,095)	(882,182)
TAXATION			
Corporation tax repaid/(paid)		2,114	(78,448)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of tangible fixed assets		(2,173,159)	(1,809,701)
Sale of tangible fixed assets		736,711	749,630
NET CASH OUTFLOW FOR CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		(1,436,448)	(1,060,071)
ACQUISITIONS AND DISPOSALS			
Purchase of interest in associate		(560,449)	-
CASH (OUTFLOW)/INFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		(938,974)	722,471
MANAGEMENT OF LIQUID RESOURCES		-	-
FINANCING			
Reduction in long-term loans (new advances £2,136,751 less repayments £2,149,273)		(12,522)	(1,211,603)
Capital element of hire purchase liabilities repaid		(45,668)	(48,331)
NET CASH OUTFLOW FROM FINANCING		(58,190)	(1,259,934)
DECREASE IN CASH IN THE PERIOD		(997,164)	(537,463)

Mossley Holdings Limited

CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 December 1998 (continued)

	1998 £	1997 £
Decrease in cash in the period	(997,164)	(537,463)
Cash outflow from decrease in long-term loans and hire purchase liabilities	58,190	1,241,270
Change in net debt resulting from cash flows	<u>(938,974)</u>	<u>703,807</u>
Exchange and other non-cash movements	(54,839)	1,107,394
Net debt at 1 January 1998	(10,677,954)	(12,489,155)
Net debt at 31 December 1998	<u><u>(11,671,767)</u></u>	<u><u>(10,677,954)</u></u>

ANALYSIS OF NET DEBT

	<i>At</i> <i>1 January</i> <i>1998</i> £	<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> <i>31 December</i> <i>1998</i> £
Cash at bank and in hand	1,247,946	(11,370)	71,315	-	1,307,891
Bank overdrafts and loans falling due within one year	(9,236,119)	(985,794)	(452,599)	-	(10,674,512)
Bank loans falling due after more than one year	(2,204,068)	12,522	(113,600)	-	(2,305,146)
Loan from parent company	(440,045)	-	-	440,045	-
Hire purchase liabilities	(45,668)	45,668	-	-	-
	<u>(10,677,954)</u>	<u>(938,974)</u>	<u>(494,884)</u>	<u>440,045</u>	<u>(11,671,767)</u>

Mossley Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 1998

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 1998. 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.

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.

Mossley Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 1998

ACCOUNTING POLICIES (continued)

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.

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.

2 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:

	1998	1997
	£	£
EC countries	55,902,046	68,363,914
Non-EC countries	10,472,672	5,208,644
	<u>66,374,718</u>	<u>73,572,558</u>

Mossley Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 1998

3 COST OF SALES AND OPERATING EXPENSES

	1998			1997		
	<i>Continuing</i> £'000	<i>Dis-continued</i> £'000	<i>Total</i> £'000	<i>Continuing</i> £'000	<i>Dis-continued</i> £'000	<i>Total</i> £'000
Cost of sales	54,547	987	55,534	59,818	1,269	61,087
Distribution costs	3,708	5	3,713	3,751	46	3,797
Administrative expenses	5,723	83	5,806	6,166	99	6,265
Group reorganisation costs	976	710	1,686	853	110	963

4 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1998 £	1997 £
Directors' emoluments	228,597	255,234
Company contributions paid to money purchase pension schemes (or equivalent overseas)	22,505	21,283
Emoluments of highest paid director	168,865	155,893
Company contributions paid for highest paid director to money purchase pension schemes (or equivalent overseas)	16,551	15,175
	1998 No.	1997 No.
Directors who are members of money purchase pension schemes or equivalent overseas)	2	2
Directors who are members of defined benefit pension schemes	0	1
	1998 £	1997 £
Employee costs during the year:		
Wages and salaries	10,038,082	10,931,869
Social security costs	3,267,509	3,114,182
Other pension costs	46,405	61,639
	13,351,996	14,107,690
	1998 No.	1997 No.
Average number of persons employed:		
Production	679	765
Administration	94	87
	773	852

Mossley Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 1998

5 OPERATING (LOSS)/PROFIT

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

	1998 £	1997 £
Hire of plant and machinery	1,863	741
Operating leases	335,705	314,108
Depreciation	2,769,208	2,813,473
Amortisation of goodwill (note 10)	8,297	-
Auditors' remuneration - audit services - UK	14,600	15,000
- audit services - overseas	97,008	102,115
Group reorganisation costs, being cost of redundancies and restructuring in the French subsidiary undertakings	1,686,504	963,434
Exceptional credit arising from successful litigation outcome in French subsidiary undertaking	(815,000)	-
Loan waived by ultimate holding company	(470,138)	-
	<u>1,111,976</u>	<u>882,182</u>

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

	1998 £	1997 £
Group operating (loss)/profit	(365,283)	1,459,741
Loan waived by ultimate holding company, including associated exchange gain	(440,045)	-
Amortisation of goodwill	8,297	-
Depreciation	2,769,208	2,813,472
Movement in - stock	1,129,077	(2,221,055)
- debtors	2,690,126	(738,923)
- creditors	(3,635,476)	1,429,937
Net cash inflow from operating activities	<u>2,155,904</u>	<u>2,743,172</u>

6 INTEREST PAYABLE (NET)

	1998 £	1997 £
Interest payable:		
Bank loans, overdrafts and other loans repayable within five years	536,126	506,866
Finance charges - hire purchase obligations	7,381	8,986
Finance charges - discounting	568,469	366,330
	<u>1,111,976</u>	<u>882,182</u>
Interest receivable:		
Bank interest	11,881	-
Group interest payable less receivable	1,100,095	882,182
Share of associate's interest payable (net)	43,234	-
	<u>1,143,329</u>	<u>882,182</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 profit on ordinary activities before taxation of £372,504 (1997 profit - £150,750) which is dealt with in the financial statements of the parent company.

Mossley Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 1998

8 TAX ON PROFIT ON ORDINARY ACTIVITIES

	<i>1998</i>	<i>1997</i>
	<i>£</i>	<i>£</i>
United Kingdom corporation tax at 33% (1996 - 33%) based on the profit for the year	-	18,054
Overseas taxation (credit)/charge	(77,172)	13,532
United Kingdom deferred tax	45,000	45,000
Adjustments relating to earlier periods	39	1,862
	<u>(32,133)</u>	<u>78,448</u>
Share of associates's tax	9,582	-
	<u>22,551</u>	<u>78,448</u>

If full provision had been made for deferred taxation for the year, the taxation charge would have been reduced by £76,338 (1997 - £120,774), as follows:

	<i>1998</i>	<i>1997</i>
	<i>£</i>	<i>£</i>
Accelerated capital allowances	(82,951)	(104,660)
Other timing differences	6,613	(16,114)
	<u>(76,338)</u>	<u>(120,774)</u>

Mossley Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 1998

9 TANGIBLE FIXED ASSETS

GROUP	<i>Freehold land and buildings</i> £	<i>Plant, equipment and vehicles</i> £	<i>Total</i> £
Cost or valuation:			
At 1 January 1998	5,647,879	21,592,110	27,239,989
Additions	85,470	2,087,689	2,173,159
Disposals	(50,041)	(1,112,059)	(1,162,100)
Foreign exchange translation	286,225	836,600	1,122,825
At 31 December 1998	<u>5,969,533</u>	<u>23,404,340</u>	<u>29,373,873</u>
Accumulated depreciation			
At 1 January 1998	2,337,622	13,569,996	15,907,618
Charge for the year	255,018	2,514,190	2,769,208
Disposals	(46,108)	(766,252)	(812,360)
Foreign exchange translation	126,647	446,535	573,182
At 31 December 1998	<u>2,673,179</u>	<u>15,764,469</u>	<u>18,437,648</u>
Net book value:			
At 31 December 1998	<u>3,296,354</u>	<u>7,639,871</u>	<u>10,936,225</u>
At 1 January 1998	<u>3,310,257</u>	<u>8,022,114</u>	<u>11,332,371</u>

Included in the amounts for fixed assets at 31 December 1998 are the following amounts relating to assets acquired by finance lease:

	£
Cost	1,492,039
Accumulated depreciation	(1,492,039)
Net book value	<u>-</u>

The profit on sale of fixed assets of £396,079 (1997: £251,009) includes £179,226 (1997: £103,129) in respect of minority interests and £ nil (1997: £14,856) in respect of discontinued operations.

Mossley Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 1998

10 INVESTMENTS HELD AS FIXED ASSETS

	1998 £	<i>Group</i> 1997 £	1998 £	<i>Company</i> 1997 £
Shares in subsidiary undertakings (net of provisions) (a)	-	-	5,813,666	5,813,666
Associate (b)	717,172	-	-	-
	<u>717,172</u>	<u>-</u>	<u>5,813,666</u>	<u>5,813,666</u>
 (a) Subsidiary undertakings				
	1998 £	<i>Group</i> 1997 £	1998 £	<i>Company</i> 1997 £
Listed investment (Paris stock exchange) Mossley Badin S.A.	-	-	2,642,921	2,642,921
 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
	<u>-</u>	<u>-</u>	<u>3,170,745</u>	<u>3,170,745</u>
Total investments	<u>717,172</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 1998		-	-	-
Shares acquired in year		394,531	165,918	560,449
Share of profit retained by associate		165,020	-	165,020
Amortisation of goodwill		-	(8,297)	(8,297)
At 31 December 1998		<u>559,551</u>	<u>157,621</u>	<u>717,172</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 22.

Mossley Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 1998

11 STOCKS

	<i>Group</i>		<i>Company</i>	
	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>
	£	£	£	£
Raw materials and consumables	3,142,957	3,422,858	-	-
Work in progress	1,650,359	1,965,724	-	-
Finished goods and goods for resale	13,198,098	12,782,237	-	-
	<u>17,991,414</u>	<u>18,170,819</u>	<u>-</u>	<u>-</u>

12 DEBTORS

	<i>Group</i>		<i>Company</i>	
	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	11,856,206	13,224,044	-	-
Other debtors	2,613,472	3,080,159	19,502	19,502
Prepayments and accrued income	329,066	620,458	-	-
Amounts owed by associate	286,037	-	-	-
	<u>15,084,721</u>	<u>16,924,661</u>	<u>19,502</u>	<u>19,502</u>

13 TRADE AND OTHER CREDITORS

	<i>Group</i>		<i>Company</i>	
	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>
	£	£	£	£
Trade creditors	11,867,596	14,075,621	-	-
Amounts owed to subsidiary undertakings	-	-	2,482,085	2,317,183
Amounts owed to associate (trading balances)	49,995	-	-	-
Obligations under hire purchase contracts payable within one year	-	37,164	-	-
Taxation and social security	2,054,238	2,346,845	-	-
Other creditors and accruals	2,386,246	2,573,911	5,000	5,000
Corporation tax	52,824	127,843	-	-
	<u>16,410,899</u>	<u>19,161,384</u>	<u>2,487,085</u>	<u>2,322,183</u>

Mossley Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 1998

14 CREDITORS - amounts falling due after more than one year

	1998	<i>Group</i> 1997	1998	<i>Company</i> 1997
	£	£	£	£
Bank loans	2,305,146	2,204,068	-	-
Amounts owed to parent undertaking	-	440,045	-	440,045
Obligations under hire purchase contracts	-	8,504	-	-
Other creditors	-	17,677	-	-
	<u>2,305,146</u>	<u>2,670,294</u>	<u>-</u>	<u>440,045</u>

15 BORROWINGS

	1998	<i>Group</i> 1997	1998	<i>Company</i> 1997
	£	£	£	£
Bank loans and overdrafts				
Secured	-	-	-	-
Unsecured	12,979,658	11,440,187	-	-
	<u>12,979,658</u>	<u>11,440,187</u>	<u>-</u>	<u>-</u>
Obligations under hire purchase contracts	-	45,668	-	-
Other creditors	-	457,722	-	440,045
	<u>12,979,658</u>	<u>11,943,577</u>	<u>-</u>	<u>440,045</u>
Less amounts falling due within one year:				
Bank loans and overdrafts	10,674,512	9,236,119	-	-
Obligations under hire purchase contracts	-	37,164	-	-
	<u>10,674,512</u>	<u>9,273,283</u>	<u>-</u>	<u>-</u>
Amounts falling due after more than one year	<u>2,305,146</u>	<u>2,670,294</u>	<u>-</u>	<u>440,045</u>

Mossley Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 1998

15 BORROWINGS (continued)

	<i>Group</i>		<i>Company</i>	
	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>
	£	£	£	£
Analysis of loan repayments:				
Bank loans and overdrafts				
Within 1 year	10,674,512	9,236,119	-	-
Between 2 and 5 years	2,305,146	2,204,068	-	-
After 5 years	-	-	-	-
Hire purchase obligations				
Within one year	-	37,164	-	-
Between 2 and 5 years	-	8,504	-	-
	<u>12,979,658</u>	<u>11,485,855</u>	<u>-</u>	<u>-</u>

Security:

Obligations under hire purchase contracts are secured by the related assets.

16 DEFERRED TAXATION

<i>Group</i>	<i>1998</i>		<i>1997</i>	
	<i>Provided</i>	<i>Unprovided</i>	<i>Provided</i>	<i>Unprovided</i>
	£	£	£	£
Accelerated capital allowances	90,000	10,815	45,000	93,766
Other timing differences	-	205,004	-	198,391
	<u>90,000</u>	<u>215,819</u>	<u>45,000</u>	<u>292,157</u>

17 CALLED UP SHARE CAPITAL

	<i>1998</i>	<i>1997</i>
	£	£
Authorised, allotted and fully paid Ordinary shares of £1 each	<u>105,000</u>	<u>105,000</u>

Mossley Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 1998

18 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

<i>Group</i>	<i>Translation</i>			<i>Total</i>
	<i>Share capital</i>	<i>and other reserves</i>	<i>Profit and loss account</i>	
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
At 1 January 1997	105,000	1,129,151	7,906,109	9,140,260
Profit attributable to members of the parent undertaking	-	-	472,975	472,975
Translation difference on investments in subsidiary undertakings	-	(812,363)	-	(812,363)
Goodwill written off in respect of previously unconsolidated subsidiary undertaking	-	(119,041)	-	(119,041)
At 31 December 1997	105,000	197,747	8,379,084	8,681,831
Loss attributable to members of the parent undertaking	-	-	(264,435)	(264,435)
Translation difference on investments in subsidiary undertakings	-	356,645	-	356,645
At 31 December 1998	105,000	554,392	8,114,649	8,774,041
<i>Company</i>		<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total</i>
		<i>£</i>	<i>£</i>	<i>£</i>
At 1 January 1997		105,000	2,798,451	2,903,451
Profit attributable to members of the parent undertaking		-	172,747	172,747
At 31 December 1997		105,000	2,971,198	3,076,198
Profit attributable to members of the parent undertaking		-	277,358	(252,780)
At 31 December 1998		105,000	3,248,556	2,823,418

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19 CAPITAL COMMITMENTS

	<i>Group</i>		<i>Company</i>	
	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Authorised but not contracted for	-	-	-	-

Mossley Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 1998

20 CONTINGENT LIABILITIES

	<i>Group</i>		<i>Company</i>	
	1998	1997	1998	1997
	£	£	£	£
Discounted bills of exchange	3,671,092	3,314,169	-	-
Potential liability for future retirement payments in respect of employees of French subsidiary undertakings who reach retirement age	644,466	765,138	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The French subsidiary undertakings have benefited by a total amount of £478,525 from a government Plan that reduced the employers' social security charges ("Plan textile"). The directors understand that a substantial proportion of this sum will not need to be paid because this falls below the liability threshold in each company. No provision has been made in these accounts for any liability to pay the remaining amount because of continuing uncertainty as to the sum involved and the timing of any payment.

21 OPERATING LEASE COMMITMENTS

At 31 December 1998 the group was committed to making the following payments during the next year:

	<i>Group</i>		<i>Company</i>	
	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	£	£	£	£
Leases which expire:				
Within one year	88,098	-	-	-
Within two to five years	83,256	277,530	-	-
After five years	-	-	-	-
	<u>171,354</u>	<u>277,530</u>	<u>-</u>	<u>-</u>

22 PENSION SCHEME

The total pension fund cost in 1998 was £46,405 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 1995, and the market value of the scheme's assets at that date was £1,114,000.

Details of the UK scheme are contained in the accounts of Mossley Spinning Limited.

Mossley Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 1998

23 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	Textiles
Laveline SARL	France	52%	1	Textiles
Le Thillot SARL	France	52%	1	Textiles
Roville SFK SA	France	50%		Textiles
Nino Rovil SARL	France	50%	2	Textiles
Tissage de Sion SARL	France	50%	2	Textiles
Tissage de L'Est SARL	France	50%	2	Textiles
TMM SARL	France	50%	2 and 3	Textiles
Mossley Spinning Limited	Mossley, England	100%		Textiles
KNP Limited	Mossley, England	100%		Computer services
Mossley Holdings Inc	Delaware, USA	100%	4	Non-trading holding
Mossley Inc	Greenville, USA	99%	4	Non-trading textiles
<i>Associate</i>				
Mossley Sartel SA	France	13%	5	Textiles

Notes:

- 1 100% subsidiaries of Mossley Badin SA
- 2 100% subsidiaries of Roville SFK SA
- 3 The 55% shareholding by Roville SFK SA in TMM SARL was increased to 100% during the year. TMM SARL discontinued its activities at the end of 1998.
- 4 These subsidiaries are not consolidated into these accounts because the amounts concerned are not material to the group.
- 5 In June 1998 Mossley Badin SA acquired 24.98% of the issued share capital of Mossley Sartel SA.

24 ULTIMATE HOLDING COMPANY

The ultimate holding company is Omnium Textile S.A., a company incorporated in Luxembourg.