

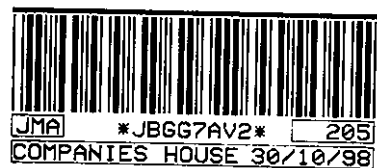
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MOSSLEY HOLDINGS LIMITED

**REPORT AND FINANCIAL
STATEMENTS**

31 DECEMBER 1997

EY ERNST & YOUNG



Mossley Holdings Limited

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

D Meillassoux (Managing Director - French)

S J Garner

K R Eaton

SECRETARY

K R Eaton A.C.A.

AUDITORS

Ernst & Young

100 Barbirolli Square

Manchester

M2 3EY

BANKERS

England:-

The Royal Bank of Scotland PLC

National Westminster 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 1997.

1 Activities

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

2 Review of operations

Although turnover decreased by 4% compared to 1996, activity in real terms increased by 5.5%, as the increase in value of the pound against the French franc had a negative effect of £7.3 million on the exchange conversion of the French sales.

Note 22 to the accounts lists two new companies which have been created during the year, as well as the merger of Roville SA with SFK SA. The purpose of this legal restructuring is to bring the reporting and control into line with the three divisions described in note 1 above. No additional activities have been acquired during the year.

As explained in the Directors' Report last year, the favourable market conditions for the second half of 1996 continued into 1997, and as a consequence, gross profit increased by 26% to £12,485,429.

Reorganisation costs amounted to £963,434, mainly due to the streamlining of the product mix in the spinning division. The operating loss of 1996 was turned into a profit of £1,710,750 in 1997.

Lower bank interest rates in France contributed to the reduction by 21% of the net interest charge.

The profit after tax and minority interest amounted to £472,975, compared to a loss of £1,513,426 in 1996.

Despite the net profit for the year, Shareholders' Funds have decreased due to the adverse effect of the exchange rate on converting the French assets into sterling at the year end.

3 Dividends

The directors do not recommend payment of a dividend.

4 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.

5 Future prospects

The directors are confident that, by a policy of growth by external acquisition, attention to cutting costs and an ability to react to market conditions, the group is capable of improving its position in the European clothing market.

6 Fixed assets

Fixed asset movements are summarised in note 8 to the financial statements.

Mossley Holdings Limited
DIRECTORS' REPORT (CONTINUED)

7 Directors

The members of the Board who served as directors of the company throughout 1997 are Messrs D Meillassoux, S J Garner and K R Eaton.

The directors have no direct beneficial interests, as defined by the Companies Act 1985, in the shares of the company at 1 January 1997 and 31 December 1997.

8 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 1997, held 8,534 shares through a company in which he has a controlling interest (1996 - 8,534 shares).

9 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.

10 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.

11 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.

12 Close company status

So far as the directors are aware, the company is a close company for taxation purposes.

13 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

27/10/98

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.

AUDITORS' REPORT 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 as modified by the revaluation of certain land and buildings 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.

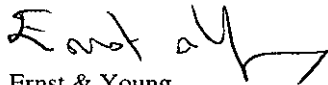
Basis of opinion

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 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 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 and of the group as at 31 December 1997 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
Manchester

30. 10. 98

Mossley Holdings Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 December 1997

	Note	<u>1997</u> £	<u>1996</u> £
TURNOVER			
Continuing operations:			
ongoing	2	73,572,558	76,656,075
Cost of sales		(61,087,129)	(66,762,529)
		<hr/>	<hr/>
Gross profit		12,485,429	9,893,546
		<hr/>	<hr/>
Distribution costs		(3,797,362)	(4,055,591)
Administrative expenses		(6,264,892)	(4,986,341)
		<hr/>	<hr/>
		(10,062,254)	(9,041,932)
		<hr/>	<hr/>
		2,423,175	851,614
Group reorganisation costs	4	(963,434)	(2,447,078)
		<hr/>	<hr/>
OPERATING PROFIT/(LOSS)			
Continuing operations:			
ongoing	4	1,459,741	(1,595,464)
Exceptional items:			
Profit on sale of fixed assets		251,009	109,080
Loss on disposal of fixed asset investment in Meirger SA		-	(191,308)
Write-off of loan accounts with Remy SA		-	(229,213)
		<hr/>	<hr/>
		251,009	(311,441)
		<hr/>	<hr/>
Interest payable (net)	5	1,710,750 (882,182)	(1,906,905) (1,116,309)
		<hr/>	<hr/>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION			
	6	828,568	(3,023,214)
Tax on profit/(loss) on ordinary activities	7	(78,448)	(162,212)
		<hr/>	<hr/>
PROFIT/(LOSS) AFTER TAXATION			
Minority interests		750,120 (277,145)	(3,185,426) 1,672,000
		<hr/>	<hr/>
PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY			
		472,975	(1,513,426)
		<hr/> <hr/>	<hr/> <hr/>

The results are derived from continuing operations. Further explanation is given in note 2.

Mossley Holdings Limited

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 December 1997

	Note	<u>1997</u>	<u>1996</u>
		£	£
Profit/(loss) attributable to members of the parent company		472,975	(1,513,426)
Exchange difference on retranslation of net assets of subsidiary undertakings		(812,363)	(1,624,327)
Asset revaluation (group share)		-	186,000
Goodwill written off in respect of previously unconsolidated subsidiary undertaking (KNP Limited)		(119,041)	-
Total recognised losses related to the year		<u>(458,429)</u>	<u>(2,951,753)</u>


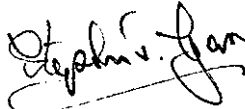
Mossley Holdings Limited

CONSOLIDATED BALANCE SHEET

31 December 1997

			<u>1997</u>		<u>1996</u>
	Note	£	£	£	£
FIXED ASSETS					
Tangible assets	8		11,332,371		14,061,449
Investments	9		-		131,783
			11,332,371		14,193,232
CURRENT ASSETS					
Stocks	10	18,170,819		17,582,504	
Debtors	11	16,924,661		17,758,668	
Cash at bank and in hand		1,247,946		1,648,300	
		36,343,426		36,989,472	
CREDITORS - Amounts falling due within one year					
Bank loans and overdrafts	14	9,236,119		9,822,608	
Trade creditors		14,075,621		13,979,794	
Other creditors	12	5,085,763		5,521,382	
		28,397,503		29,323,784	
NET CURRENT ASSETS			7,945,923		7,665,688
TOTAL ASSETS LESS CURRENT LIABILITIES			19,278,294		21,858,920
CREDITORS - Amounts falling due after more than one year					
	13,14		2,670,294		4,271,322
PROVISION FOR LIABILITIES and CHARGES					
	15		45,000		-
MINORITY INTERESTS					
			7,881,169		8,447,338
			8,681,831		9,140,260
CAPITAL AND RESERVES					
Called up share capital	16,17		105,000		105,000
Translation and other reserves	17		316,788		1,129,151
Profit and loss account	17		8,260,043		7,906,109
			8,681,831		9,140,260

These financial statements were approved by the Board of Directors on 27th October 1998

 K R Eaton)
) Directors
 S J Garner)


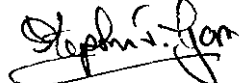
Mossley Holdings Limited

BALANCE SHEET

31 December 1997

	Note	<u>1997</u> £	<u>1996</u> £
FIXED ASSETS			
Investments	9	5,813,666	5,813,666
CURRENT ASSETS			
Debtors	11	19,502	19,502
Cash at bank		5,258	3,638
		<u>24,760</u>	<u>23,140</u>
CREDITORS - Amounts falling due within one year	12	2,322,183	2,450,598
NET CURRENT LIABILITIES		<u>(2,297,423)</u>	<u>(2,427,458)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,516,243</u>	<u>3,386,208</u>
CREDITORS - Amounts falling due after more than one year	13,14	440,045	482,757
		<u>3,076,198</u>	<u>2,903,451</u>
CAPITAL AND RESERVES			
Called up share capital	16	105,000	105,000
Profit and loss account	17	2,971,198	2,798,451
Shareholders' funds		<u>3,076,198</u>	<u>2,903,451</u>

These financial statements were approved by the Board of Directors on 27th October 1998

 K R Eaton)
) Directors
 S J Garner)

Mossley Holdings Limited

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 1997

	Note	<u>1997</u> £	<u>1996</u> £
NET CASH INFLOW FROM OPERATING ACTIVITIES	4(b)	2,743,172	5,099,518
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid (net)		(882,182)	(1,116,309)
TAXATION			
Corporation tax paid		(78,448)	(363,342)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of tangible fixed assets		(1,809,701)	(2,390,448)
Sale of tangible fixed assets		749,630	446,384
NET CASH OUTFLOW FOR CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		(1,060,071)	(1,944,064)
CASH INFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		722,471	1,675,803
MANAGEMENT OF LIQUID RESOURCES		-	-
FINANCING			
Reduction in long-term loans		(1,211,603)	(2,031,129)
Capital element of hire purchase liabilities repaid		(48,331)	(9,824)
NET CASH INFLOW FROM FINANCING		(1,259,934)	(2,040,953)
DECREASE IN CASH IN THE PERIOD		(537,463)	(365,150)

Mossley Holdings Limited

CONSOLIDATED CASH FLOW STATEMENT (CONSOLIDATED)

Year ended 31 December 1997

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	<u>1997</u>	<u>1996</u>
	£	£
Decrease in cash in the period	(537,463)	(365,150)
Cash outflow from decrease in long-term loans and hire purchase liabilities	1,241,270	2,040,953
Change in net debt resulting from cash flows	703,807	1,675,803
Translation difference	1,107,394	1,810,572
Net debt at 1 January 1997	(12,489,155)	(15,975,530)
Net debt at 31 December 1997	(10,677,954)	(12,489,155)

ANALYSIS OF NET DEBT

	<u>At</u>		<u>At</u>
	<u>1 January</u>	<u>Cash</u>	<u>31 December</u>
	<u>1997</u>	<u>flow</u>	<u>1997</u>
	£	£	£
Cash at bank and in hand	1,648,300	(237,865)	1,247,946
Bank overdrafts and loans falling due within one year	(9,822,608)	(299,598)	(9,236,119)
Bank loans falling due after more than one year	(3,731,730)	1,186,578	(2,204,068)
Loan from parent company	(482,757)	-	(440,045)
Hire purchase liabilities	(100,360)	54,692	(45,668)
	(12,489,155)	703,807	(10,677,954)

Mossley Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

31 December 1997

1 ACCOUNTING POLICIES (CONTINUED)

(h) 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.

(i) 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.

(j) 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.

(k) Goodwill

Purchased and consolidation goodwill is 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 continuing 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:

	<u>1997</u>	<u>1996</u>
	£	£
EC countries	68,363,914	71,223,961
Non-EC countries	5,208,644	5,432,114
	<u>73,572,558</u>	<u>76,656,075</u>

Mossley Holdings Limited
NOTES TO THE FINANCIAL STATEMENTS

31 December 1997

3 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	<u>1997</u> £	<u>1996</u> £
Directors' emoluments	255,234	286,864
Company contributions paid to money purchase pension schemes (or equivalent overseas)	21,283	22,611
Emoluments of highest paid director	155,893	173,633
Company contributions paid for highest paid director to money purchase pension schemes (or equivalent overseas)	15,175	16,461
	<u>1997</u> No.	<u>1996</u> No.
Directors who are members of money purchase pension schemes or equivalent overseas)	2	2
Directors who are members of defined benefit pension schemes	1	1
	<u>1997</u> £	<u>1996</u> £
Employee costs during the year:		
Wages and salaries	10,931,869	12,375,053
Social security costs	3,114,182	3,871,854
Other pension costs	61,639	52,911
	14,107,690	16,299,818
	<u>1997</u> No.	<u>1996</u> No.
Averaged number of persons employed:		
Production	776	923
Administration	76	101
	852	1,024

Mossley Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

31 December 1997

4 OPERATING PROFIT/(LOSS)

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

	<u>1997</u>	<u>1996</u>
	£	£
Hire of plant and machinery	741	114,303
Operating leases	314,108	293,376
Depreciation	2,813,473	3,446,692
Auditors' remuneration - audit services - UK	15,000	15,000
- audit services - overseas	102,115	117,079
Group reorganisation costs, being cost of redundancies and restructuring in the French subsidiary undertakings	963,434	2,447,078
	963,434	2,447,078

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

	<u>1997</u>	<u>1996</u>
	£	£
Operating profit/(loss)	1,710,750	(1,595,464)
Profit on sale of fixed assets	(251,009)	109,080
Depreciation	2,813,472	3,446,692
Movement in - stock	(2,221,055)	2,835,679
- debtors	(738,923)	5,782,882
- creditors	1,429,937	(5,479,351)
Net cash inflow from operating activities	2,743,172	5,099,518

5 INTEREST PAYABLE (net)

	<u>1997</u>	<u>1996</u>
	£	£
Interest payable:		
Bank loans, overdrafts and other loans repayable within five years	506,866	663,635
Finance charges - hire purchase obligations	8,986	23,603
Finance charges - discounting	366,330	429,071
	882,182	1,116,309

6 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 £101,489 (1996 profit - £130,834) which is dealt with in the financial statements of the parent company.

Mossley Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

31 December 1997

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>1997</u>	<u>1996</u>
	£	£
United Kingdom corporation tax at 33% (1996 - 33%) based on the profit for the year	18,054	203,954
Overseas taxation charge/(credit)	13,532	(41,742)
United Kingdom deferred tax	45,000	-
Adjustments relating to earlier periods	1,862	-
	<u>78,448</u>	<u>162,212</u>

If full provision had been made for deferred taxation for the year, the taxation charge would have been reduced by £120,774 (1996 - £50,493), as follows:

	<u>1997</u>	<u>1996</u>
	£	£
Accelerated capital allowances	(104,660)	(44,069)
Other timing differences	(16,114)	(6,424)
	<u>(120,774)</u>	<u>(50,493)</u>

Mossley Holdings Limited
NOTES TO THE FINANCIAL STATEMENTS

31 December 1997

8 TANGIBLE FIXED ASSETS

	<u>Total</u>	<u>Freehold land and buildings</u>	<u>Plant and equipment</u>
	£	£	£
GROUP			
Cost or valuation:			
At 1 January 1997	33,298,076	5,826,909	27,471,167
Subsidiary not previously consolidated	78,860	-	78,860
Adjustment in respect of inter-company transfers of fixed assets	(4,585,726)	-	(4,585,726)
Additions	1,809,701	366,553	1,443,148
Disposals	(771,683)	(26,199)	(745,484)
Foreign exchange translation	(2,589,239)	(519,383)	(2,069,856)
At 31 December 1997	<u>27,239,989</u>	<u>5,647,879</u>	<u>21,592,110</u>
Accumulated depreciation			
At 1 January 1997	19,236,627	2,305,374	16,931,253
Subsidiary not previously consolidated	56,577	-	56,577
Adjustment in respect of inter-company transfers of fixed assets	(4,585,726)	-	(4,585,726)
Charge for the year	2,813,472	267,142	2,546,330
Disposals	(250,779)	(15,213)	(235,566)
Foreign exchange translation	(1,362,553)	(219,681)	(1,142,872)
At 31 December 1997	<u>15,907,618</u>	<u>2,337,622</u>	<u>13,569,996</u>
Net book value:			
At 31 December 1997	<u>11,332,371</u>	<u>3,310,257</u>	<u>8,022,114</u>
At 1 January 1997	<u>14,061,449</u>	<u>3,521,535</u>	<u>10,539,914</u>

Included in the amounts for fixed assets at 31 December 1997 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>

Mossley Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

31 December 1997

9 INVESTMENTS HELD AS FIXED ASSETS

	GROUP		COMPANY	
	<u>1997</u>	<u>1996</u>	<u>1997</u>	<u>1996</u>
	£	£	£	£
Shares in subsidiary undertakings (net of provisions)	-	-	5,813,666	5,681,883
Other investments	-	131,783	-	131,783
	-	131,783	5,813,666	5,813,666

	GROUP		COMPANY	
	<u>1997</u>	<u>1996</u>	<u>1997</u>	<u>1996</u>
	£	£	£	£
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 (1996 non consolidated)	-	131,783	131,783	131,783
	-	131,783	3,170,745	3,170,745

Additional information on subsidiary and associated undertakings is given in note 22.

Mossley Holdings Limited
NOTES TO THE FINANCIAL STATEMENTS

31 December 1997

10 STOCKS

	GROUP		COMPANY	
	<u>1997</u>	<u>1996</u>	<u>1997</u>	<u>1996</u>
	£	£	£	£
Raw materials and consumables	3,422,858	4,093,594	-	-
Work in progress	1,965,724	1,909,542	-	-
Finished goods and goods for resale	12,782,237	11,579,368	-	-
	<u>18,170,819</u>	<u>17,582,504</u>	<u>-</u>	<u>-</u>

11 DEBTORS

	GROUP		COMPANY	
	<u>1997</u>	<u>1996</u>	<u>1997</u>	<u>1996</u>
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	13,224,044	14,272,197	-	-
Other debtors	3,080,159	3,135,602	19,502	19,502
Prepayments and accrued income	620,458	350,869	-	-
	<u>16,924,661</u>	<u>17,758,668</u>	<u>19,502</u>	<u>19,502</u>

12 OTHER CREDITORS

	GROUP		COMPANY	
	<u>1997</u>	<u>1996</u>	<u>1997</u>	<u>1996</u>
	£	£	£	£
Amounts owed to subsidiary undertakings	-	-	2,317,183	2,402,998
Obligations under hire purchase contracts payable within one year	37,164	43,525	-	-
Taxation and social security	2,346,845	2,901,055	-	-
Other creditors and accruals	2,573,911	2,278,258	5,000	47,600
Corporation tax	127,843	298,544	-	-
	<u>5,085,763</u>	<u>5,521,382</u>	<u>2,322,183</u>	<u>2,450,598</u>

Mossley Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

31 December 1997

13 CREDITORS - Amounts falling due after more than one year

	GROUP		COMPANY	
	<u>1997</u>	<u>1996</u>	<u>1997</u>	<u>1996</u>
	£	£	£	£
Bank loans	2,204,068	3,731,730	-	-
Amounts owed to parent undertaking	440,045	482,757	440,045	482,757
Obligations under hire purchase contracts	8,504	56,835	-	-
Other creditors	17,677	-	-	-
	<u>2,670,294</u>	<u>4,271,322</u>	<u>440,045</u>	<u>482,757</u>

14 BORROWINGS

	GROUP		COMPANY	
	<u>1997</u>	<u>1996</u>	<u>1997</u>	<u>1996</u>
	£	£	£	£
Bank loans and overdrafts				
Secured	-	-	-	-
Unsecured	11,440,187	13,554,338	-	-
	<u>11,440,187</u>	<u>13,554,338</u>	<u>-</u>	<u>-</u>
Obligations under hire purchase contracts	45,668	100,360	-	-
Other creditors	457,722	482,757	440,045	482,757
	<u>11,943,577</u>	<u>14,137,455</u>	<u>440,045</u>	<u>482,757</u>
Less amounts falling due within one year				
Bank loans and overdrafts	9,236,119	9,822,608	-	-
Obligations under hire purchase contracts	37,164	43,525	-	-
	<u>2,670,294</u>	<u>4,271,322</u>	<u>440,045</u>	<u>482,757</u>

Mossley Holdings Limited
NOTES TO THE FINANCIAL STATEMENTS

31 December 1997

14 BORROWINGS (CONTINUED)

	GROUP		COMPANY	
	<u>1997</u>	<u>1996</u>	<u>1997</u>	<u>1996</u>
	£	£	£	£
Analysis of loan repayments:				
Bank loans and overdrafts				
Within 1 year	9,236,119	9,822,608	-	-
Between 2 and 5 years	2,204,068	3,731,730	-	-
After 5 years	-	-	-	-
Hire purchase obligations				
Within one year	37,164	43,525	-	-
Between 2 - 5 years	8,504	56,835	-	-
	<u>11,485,855</u>	<u>13,654,698</u>	<u>-</u>	<u>-</u>

Security:

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

15 DEFERRED TAXATION

Group	<u>1997</u>		<u>1996</u>	
	<u>Provided</u>	<u>Unprovided</u>	<u>Provided</u>	<u>Unprovided</u>
	£	£	£	£
Accelerated capital allowances	45,000	93,766	-	197,784
Other timing differences	-	198,391	-	214,505
	<u>45,000</u>	<u>292,157</u>	<u>-</u>	<u>412,289</u>

16 CALLED UP SHARE CAPITAL

	<u>1997</u>	<u>1996</u>
	£	£
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

31 December 1997

17 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

Group	<u>Share capital</u> £	Translation and other <u>reserves</u> £	Profit and <u>loss account</u> £	<u>Total</u> £
At 31 December 1995	105,000	2,567,478	9,419,535	12,092,013
Loss attributable to members of the parent undertaking	-	-	(1,513,426)	(1,513,426)
Translation difference on investments in subsidiary undertakings	-	(1,624,327)	-	(1,624,327)
Asset revaluation	-	186,000	-	186,000
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1996	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 (KNP Limited)	-	(119,041)	-	(119,041)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1997	105,000	197,747	8,379,084	8,681,831
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Company		<u>Share capital</u> £	Profit and <u>loss account</u> £	<u>Total</u> £
At 31 December 1995		105,000	2,616,571	2,721,571
Profit attributable to members of the parent undertaking		-	181,880	181,880
		<hr/>	<hr/>	<hr/>
At 31 December 1996		105,000	2,798,451	2,903,451
Profit attributable to members of the parent undertaking		-	172,747	172,747
		<hr/>	<hr/>	<hr/>
At 31 December 1997		105,000	2,971,198	3,076,198
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Mossley Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

31 December 1997

18 CAPITAL COMMITMENTS

	GROUP		COMPANY	
	<u>1997</u>	<u>1996</u>	<u>1997</u>	<u>1996</u>
	£	£	£	£
Authorised but not contracted for	-	2,089,888	-	-
	-	2,089,888	-	-

19 CONTINGENT LIABILITIES

	GROUP		COMPANY	
	<u>1997</u>	<u>1996</u>	<u>1997</u>	<u>1996</u>
	£	£	£	£
Discounted bills of exchange	3,314,169	3,632,247	-	-
Potential liability for future retirement payments in respect of employees of French subsidiary undertakings who reach retirement age	765,138	759,862	-	-
	765,138	759,862	-	-

In 1997 the French subsidiary undertakings benefited by the amount of £345,000 from a government Plan that reduced the employers' social security charges ("Plan textile"). No provision has been made in these accounts for any liability to pay this amount in the event of the cancellation of the Plan.

20 OPERATING LEASE COMMITMENTS

At 31 December 1997 the group was committed to making the following payments during the next year:

	GROUP		COMPANY	
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Leases which expire:				
Within one year	-	-	-	-
Within two to five years	56,181	259,999	-	-
After five years	-	-	-	-
	56,181	259,999	-	-

21 PENSION SCHEME

The total pension fund cost in 1997 was £60,639, 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

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22 ADDITIONAL INFORMATION ON SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

<u>Subsidiary undertakings</u>	<u>Country of Incorporation and Operation</u>	<u>Mossley Holdings Limited Ordinary shares</u>	<u>Notes</u>	<u>Activity</u>
Mossley Badin SA	France	52%		Textiles
Barentin S.A.R.L.	France	52%	1	Textiles
Hellemmes S.A.R.L.	France	52%	1	Textiles
Laveline S.A.R.L.	France	52%	1	Textiles
Le Thillot S.A.R.L.	France	52%	1	Textiles
Roville SFK SA	France	50%		Textiles
Nino Rovil S.A.R.L.	France	50%	2	Textiles
Tissage de Sion SARL	France	50%	2 and 6	Textiles
Tissage de L'Est SARL	France	50%	2 and 6	Textiles
TMM SARL	France	50%	3	Textiles
Mossley Spinning Limited	Mossley, England	100%		Textiles
KNP Limited	Mossley, England	100%	4	Computer services
Mossley Holdings Inc	Delaware, USA	100%	5	Non-trading holding
Mossley Inc	Greenville, USA	99%	5	Non-trading textiles

Notes:

- 1 100% subsidiaries of Mossley Badin SA
Ramonchamp SARL was absorbed by Mossley Badin SA during the year.
- 2 100% subsidiaries of Roville SFK SA (SFK SA was absorbed by Roville SA during the year).
- 3 55% subsidiary of Roville SFK SA (previously called Meillassoux et Mulaton).
- 4 Consolidated for the first time in 1997.
- 5 These subsidiaries are not consolidated into these accounts because the amounts concerned are not material to the group.
- 6 These subsidiaries were created during the year as part of a legal restructuring of the Roville SFK SA group which did not involve the acquisition of any new activities. SFK SA was absorbed by Roville SA during the year.

23 ULTIMATE HOLDING COMPANY

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