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No 670438

DISTINCTIVE CLOTHING COMPANY LIMITED

FINANCIAL STATEMENTS

**for the fifty-two weeks ended
26 October 2003**



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DISTINCTIVE CLOTHING COMPANY LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 26 OCTOBER 2003

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The following pages do not form part of the statutory accounts:

Detailed trading and profit and loss account	Appendix 1
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DISTINCTIVE CLOTHING COMPANY LIMITED

Directors

F W Wood (Chairman)
 D F Goldwater (Managing)
 N R Carrick
 A Milor
 P A Scates
 G R Parton

DIRECTORS' REPORT

The directors submit their annual report and the audited financial statements of the company for the fifty-two weeks ended 26 October 2003 ("the year").

Business review

The principal activity of the company continues to be the manufacture of children's clothing.

The trading results for the year are shown in the profit and loss account on page 5.

The directors recommend the payment of a final dividend of £97,000 (2002: £nil).

The company's future development will be in its current and similar products in which there appear to be opportunities.

Directors

The membership of the Board is shown above. All served on the board for the whole of the year with the exception of Messrs G R Parton and P A Scates, who were both appointed as directors on the 16 June 2003. Mr K G Scates and Mr A Thomas resigned as directors on 31 October 2002 and 30 September 2003 respectively.

Directors' shareholdings

None of the directors has any beneficial interest in the share capital of the company. The interests of Messrs F W Wood and N R Carrick in the share capital of Cosalt plc, the ultimate parent company, are disclosed by that company.

The interests of the other directors in the ordinary share capital of Cosalt plc are as follows:

	At 26 October 2003	At 27 October 2002
D F Goldwater	nil	nil
A Milor	nil	nil
P A Scates	nil	nil
G R Parton	3,902	3,902

These holdings include shares issued under the Cosalt plc Employees' Profit Sharing Scheme.

DISTINCTIVE CLOTHING COMPANY LIMITED**DIRECTORS' REPORT (continued)**

The market price of Cosalt plc ordinary shares at 26 October 2003 was 338.0p and the range during the year was 256.0p to 367.5p.

Fixed assets

The movement in tangible fixed assets are set out in note 8 to the financial statements. In note 16 to the financial statements additional information is provided on assets used by the company which are subject to lease and hire purchase agreements.

Payment policy

It is the policy of the company to establish terms of payment with suppliers when agreeing the terms of business.

The aim is to despatch cheques to settle undisputed accounts on the due date, or where other means of payment are used, to deliver funds as if payment had been made by cheque.

The number of days' purchases outstanding at the end of the year was 50 days (2002: 50 days).

Auditors

The auditors, KPMG Audit Plc, have expressed their willingness to continue in office. In accordance with Section 384 of the Companies Act 1985, a resolution for their re-appointment will be proposed at the Annual General Meeting.

By order of the Board



A J Robson
Secretary

Fish Dock Road
GRIMSBY

16 July 2004

DISTINCTIVE CLOTHING COMPANY LIMITED**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the company will continue in business.

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

**REPORT OF THE INDEPENDENT AUDITORS, KPMG AUDIT PLC TO THE MEMBERS OF
DISTINCTIVE CLOTHING COMPANY LIMITED**

We have audited the financial statements on pages 5 to 15.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities as independent auditors are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 26 October 2003, and of its profit for the fifty-two weeks then ended, and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Leeds

16 July 2004

DISTINCTIVE CLOTHING COMPANY LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE FIFTY-TWO WEEKS ENDED 26 OCTOBER 2003

		52 weeks ended 26 October 2003	52 weeks ended 27 October 2002
	Note	£	£
Turnover	2	<u>3,301,406</u>	<u>3,364,973</u>
Operating profit/(loss)	3	340,483	(379,887)
Interest payable and similar charges (net)	4	<u>88,840</u>	<u>100,315</u>
Profit/(loss) on ordinary activities before taxation		251,643	(480,202)
Taxation on ordinary activities	6	<u>72,845</u>	<u>(149,627)</u>
Profit/(loss) for the financial year		178,798	(330,575)
Dividends	7	<u>97,000</u>	-
Transferred to/(from) reserves	14	<u>81,798</u>	<u>(330,575)</u>

All operations are classed as continuing.

The company has no recognised gains or losses other than the profits for the years disclosed above; accordingly, a statement of recognised gains and losses has not been included in these financial statements.

There is no material difference between the reported results and those prepared on a historical cost basis.

The notes on pages 7 to 15 form part of these financial statements.

DISTINCTIVE CLOTHING COMPANY LIMITED

BALANCE SHEET – 26 OCTOBER 2003

	Note	26 October 2003		27 October 2002	
		£	£	£	£
Fixed assets					
Tangible fixed assets	8		47,604		25,992
Current assets					
Stocks	9	512,270		673,929	
Debtors	10	1,040,715		942,785	
Bank and cash balances		<u>2,565</u>		<u>438,576</u>	
		1,555,550		2,055,290	
Creditors					
Amounts falling due within one year	11	<u>586,436</u>		<u>1,125,747</u>	
Net current assets			<u>969,114</u>		<u>929,543</u>
Total assets less current liabilities			1,016,718		955,535
Provisions for liabilities and charges	12	25,000		45,000	
Deferred income					
Grants not yet credited to profit		<u>2,229</u>	<u>(27,229)</u>	<u>2,844</u>	<u>(47,844)</u>
Net assets			<u>989,489</u>		<u>907,691</u>
Capital and reserves					
Called up share capital	13		15,000		15,000
Profit and loss account	14		<u>974,489</u>		<u>892,691</u>
Equity shareholders' funds			<u>989,489</u>		<u>907,691</u>

Approved by the Board on 16 July 2004.

N R Carrick - Director



The notes on pages 7 to 15 form part of these financial statements.

DISTINCTIVE CLOTHING COMPANY LIMITED**NOTES ON FINANCIAL STATEMENTS – 26 OCTOBER 2003****1 Accounting policies****Basis of accounting**

The financial statements are prepared in accordance with applicable accounting standards and under the historical cost convention.

The company has taken advantage of the exemption from preparing a cash flow statement conferred by Financial Reporting Standard No. 1 on the grounds that it is a wholly owned subsidiary undertaking of a parent undertaking which publishes a consolidated cash flow statement.

Depreciation

Tangible fixed assets are depreciated on a straight line basis at annual rates which vary depending on the type of asset but which are generally:

Freehold buildings	2%
Plant and machinery	10 to 33.3%

Leased assets

Assets which are financed by leasing agreements transferring substantially all the risks and rewards of ownership (finance leases) are capitalised and depreciated over their useful lives. The liability to the leasing company is included in creditors. Leasing payments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account. All other payments under lease agreements are charged in full to the profit and loss account.

Stocks

Stocks are stated at the lower of cost, including an appropriate proportion of production overheads, and net realisable value.

Deferred taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is recognised, without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

Pension costs

Contributions to the group's defined benefit pension schemes are charged to the profit and loss account so as to spread the cost of pensions over employees' service lives.

For defined contribution schemes all contributions are charged directly to the profit and loss account in the years in which they are payable.

Foreign currency

Assets and liabilities in foreign currencies are translated into sterling at approximate rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. All exchange differences arising are included in the profit and loss account for the year.

DISTINCTIVE CLOTHING COMPANY LIMITED

NOTES ON FINANCIAL STATEMENTS – 26 OCTOBER 2003

(continued)

2 Turnover

Turnover represents the goods and services, excluding value added tax, invoiced to customers. The principal activity of the company is the manufacture of children's clothing, and the geographical analysis of turnover by destination is as follows:

	2003 £	2002 £
United Kingdom	3,122,968	3,065,274
Overseas	<u>178,438</u>	<u>299,699</u>
	<u>3,301,406</u>	<u>3,364,973</u>

All turnover originated in the United Kingdom.

3 Operating profit/(loss)

Operating profit/(loss) has been arrived at after charging/(crediting):

	2003 £	2002 £
Movement in stocks of finished goods and work in progress	73,601	(100,904)
Raw materials and consumables	1,872,366	1,706,147
Other external charges	564,593	613,859
Operating leases – vehicles and plant	6,724	5,678
Auditors' remuneration	5,162	5,656
Staff costs (note 5)	385,030	1,351,574
Capital grants released	(614)	(614)
Depreciation on owned assets	(34,463)	102,747
Depreciation on assets held under finance leases and hire purchase agreements	(426)	15,117
Other operating charges	<u>88,950</u>	<u>45,600</u>
	<u>2,960,923</u>	<u>3,744,860</u>

DISTINCTIVE CLOTHING COMPANY LIMITED

NOTES ON FINANCIAL STATEMENTS - 26 OCTOBER 2003
(continued)

4 Interest payable and similar charges (net)	2003	2002
	£	£
Bank interest	-	14,487
Capital charge by ultimate parent company	88,950	85,600
On finance leases	<u>179</u>	<u>1,858</u>
	89,129	101,945
Interest receivable	<u>(289)</u>	<u>(1,630)</u>
	<u>88,840</u>	<u>100,315</u>
5 Directors and employees	2003	2002
	£	£
Staff costs:		
Wages and salaries	331,010	1,262,358
Social security costs	37,631	68,536
Other pension costs	<u>16,389</u>	<u>20,680</u>
	<u>385,030</u>	<u>1,351,574</u>
Emoluments of the directors of the company were:		
Remuneration for management:	<u>139,495</u>	<u>166,537</u>
	Number	Number
The number of directors accruing benefits under defined benefit pension schemes in respect of qualifying service was:	4	4
The number of directors exercising share options in respect of Cosalt plc shares during the year was:	3	-
The number of directors granted share options in respect of Cosalt plc shares during the year was:	3	3
The average number of employees of the company during the year was:		
Management and administration	6	7
Production and sales staff	<u>17</u>	<u>56</u>
	<u>23</u>	<u>63</u>

DISTINCTIVE CLOTHING COMPANY LIMITED

NOTES ON FINANCIAL STATEMENTS - 26 OCTOBER 2003
(continued)

6 Taxation on ordinary activities	2003 £	2002 £
The taxation charge/(credit) based on the profit/(loss) on ordinary activities is:		
UK corporation tax payable at 30% (2002: 30%)	(19,000)	(115,000)
Deferred taxation	<u>96,460</u>	<u>(26,063)</u>
	77,460	(141,063)
Adjustments in respect of prior years:		
Corporation tax	72,000	12,284
Deferred taxation	<u>(76,615)</u>	<u>(20,848)</u>
	<u>72,845</u>	<u>(149,627)</u>
Factors affecting the current tax charge.		
The tax assessed on the profit on ordinary activities for the year is lower (2002: higher) than the standard rate of corporation tax in the UK of 30% (2002: 30%)		
The differences are reconciled below:		
	2003 £	2002 £
Profit/(loss) on ordinary activities before tax	<u>251,643</u>	<u>(480,202)</u>
Tax at current UK Corporation tax rate of 30% (2002: 30%)	75,493	(144,061)
Effects of:		
Expenses not deductible for tax purposes	1,967	2,998
Timing differences between capital allowances and depreciation	(16,119)	24,448
Short term timing differences	(80,341)	1,615
Adjustments to tax charge in respect of previous periods	<u>72,000</u>	<u>12,284</u>
Current tax charge/(credit) for year	<u>53,000</u>	<u>(102,716)</u>
7 Dividends	2003 £	2002 £
Final dividend paid of £6.47 per share (2002: £nil)	<u>97,000</u>	<u>—</u>

DISTINCTIVE CLOTHING COMPANY LIMITED

NOTES ON FINANCIAL STATEMENTS - 26 OCTOBER 2003
(continued)

8 Tangible fixed assets	Plant and machinery
Cost	
At 27 October 2002	503,941
Additions	11,650
Disposals	(294,032)
Group transfers	<u>(24,835)</u>
At 26 October 2003	<u>196,724</u>
Depreciation	
At 27 October 2002	477,949
Charged to profit and loss account	(34,889)
Eliminated in respect of disposals	(275,457)
Group transfers	<u>(18,483)</u>
At 26 October 2003	<u>149,120</u>
Net book values	
At 26 October 2003	<u>47,604</u>
At 27 October 2002	<u>25,992</u>

Assets costing £85,825 (2002: £275,525) have been fully depreciated and are still in use.

The following tangible fixed assets held under finance leases are included in plant and machinery above:

	2003 £	2002 £
Cost	-	29,903
Depreciation	-	<u>22,654</u>
Net book value	<u>-</u>	<u>7,249</u>
9 Stocks	2003 £	2002 £
Raw materials	180,305	268,363
Work in progress	14,783	39,685
Finished goods	<u>317,182</u>	<u>365,881</u>
	<u>512,270</u>	<u>673,929</u>

DISTINCTIVE CLOTHING COMPANY LIMITED

NOTES ON FINANCIAL STATEMENTS - 26 OCTOBER 2003
(continued)

10 Debtors	2003 £	2002 £
Amounts falling due within one year:		
Trade debtors	440,651	478,196
Amounts due from ultimate holding company	260,133	-
Amounts due from fellow subsidiary undertakings	263,891	263,891
Corporation tax	-	80,976
Other taxation	1,572	47,356
Deferred taxation (note 15)	23,745	43,590
Other debtors	4,583	596
Prepayments and accrued income	<u>46,140</u>	<u>28,180</u>
	<u>1,040,715</u>	<u>942,785</u>

11 Creditors	2003 £	2002 £
Amounts falling due within one year:		
Bank overdraft	17,511	-
Trade creditors	52,701	192,627
Amounts owed to ultimate holding company	-	189,866
Amounts owed to fellow subsidiary undertakings	314,704	231,012
Corporation tax	11,724	-
Other taxation	6,187	4,460
Social security	-	5,252
Accruals and deferred income	86,609	501,634
Obligations under finance leases (note 16)	-	896
Dividend payable	<u>97,000</u>	<u>-</u>
	<u>586,436</u>	<u>1,125,747</u>

12 Provisions for liabilities and charges

	Warranty provision
At 27 October 2002	45,000
Utilised	<u>(20,000)</u>
At 26 October 2003	<u>25,000</u>

DISTINCTIVE CLOTHING COMPANY LIMITED

NOTES ON FINANCIAL STATEMENTS - 26 OCTOBER 2003
(continued)

13 Called up share capital	2003	2002
	£	£
Authorised issued and fully paid:		
5,000 'A' ordinary shares of £1 each	5,000	5,000
10,000 ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
	<u>15,000</u>	<u>15,000</u>
14 Reserves	2003	2002
	£	£
(a) Reconciliation of movements in equity shareholders' funds		
Profit/(loss) for the financial year	178,798	(330,575)
Dividends	<u>(97,000)</u>	<u>-</u>
Net increase/(reduction) to equity shareholders' funds	81,798	(330,575)
Opening equity shareholders' funds	<u>907,691</u>	<u>1,238,266</u>
Closing equity shareholders' funds	<u>989,489</u>	<u>907,691</u>
(b) Reserves		Profit and loss account
Balance at 27 October 2002		892,691
Retained profit for the year		<u>81,798</u>
Balance at 26 October 2003		<u>974,489</u>
15 Deferred taxation		
Analysis of the deferred taxation debtor:	2003	2002
	£	£
Accelerated tax allowances	2,676	22,337
Other	<u>21,069</u>	<u>21,253</u>
	<u>23,745</u>	<u>43,590</u>

DISTINCTIVE CLOTHING COMPANY LIMITED

NOTES ON FINANCIAL STATEMENTS - 26 OCTOBER 2003

(continued)

16 Leasing obligations	2003 £	2002 £
Future commitments due under finance leases and hire purchase agreements are:		
Within one year	-	1,077
Less: future finance charges	<u>-</u>	<u>181</u>
	<u>-</u>	<u>896</u>
Shown in creditors (note 11) as:		
Amounts falling due within one year	-	896
Amounts falling due after more than one year	<u>-</u>	<u>-</u>
	<u>-</u>	<u>896</u>
Annual commitments due under operating leases are:	2003 £	2002 £
Plant leases which expire between two and five years	<u>5,952</u>	<u>10,586</u>

17 Pension commitments

The company is part of the Cosalt plc group which operates several pension schemes, the major one being of the defined benefit type. The assets of the defined benefit scheme are held in separate trustee administered funds. This scheme was closed to new entrants on 25 July 2000 and replaced by a defined contribution scheme.

The Group has continued to account for pensions in accordance with Statement of Standard Accounting Practice 24 (SSAP24) and the disclosures required by that standard are included in the Group financial statements.

A new pension cost accounting standard, Financial Reporting Standard 17 (FRS17) was issued in November 2000, although mandatory full implementation has been deferred. Prior to this implementation transitional disclosure rules apply.

Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17, 'Retirement Benefits' the scheme will be accounted for by the company when the accounting standard is fully adopted by the company as if the scheme was a defined contribution scheme.

The FRS 17 transitional disclosures for the scheme are shown in the consolidated accounts of Cosalt plc, the ultimate parent company.

DISTINCTIVE CLOTHING COMPANY LIMITED**NOTES ON FINANCIAL STATEMENTS - 26 OCTOBER 2003**

(continued)

17 Pension commitments (continued)

During the year the company made contributions amounting to £16,389 (2002: £20,680) to money purchase schemes. The pensions cost charged in the financial statements reflects the contributions payable by the company during the year.

18 Related party transactions

The company has taken advantage of the exemption from disclosing related party transactions with other group companies, as permitted by Financial Reporting Standard No 8 as the consolidated financial statements in which the company is included are publicly available.

19 Ultimate parent company

The company is a subsidiary undertaking of Cosalt plc, which is the ultimate parent company, incorporated in England. The consolidated accounts of this company are available to the public and may be obtained from Fish Dock Road, Grimsby, DN31 3NW.