

COSALT WORKWEAR LIMITED

FINANCIAL STATEMENTS

**for the fifty-two weeks ended
30 August 1998**

KIDSONS IMPEY

Chartered Accountants

HULL



COSALT WORKWEAR LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 AUGUST 1998

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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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COSALT WORKWEAR LIMITED

Directors

F.W. Wood (Chairman)
A.P.H. Thomas (Managing)
N.R. Carrick
G.R. Parton
M. Hirst
J.R. Graham
J.O. Farrell

DIRECTORS' REPORT

The directors submit their annual report and the audited financial statements of the company for the fifty-two weeks ended 30 August 1998 ("the year").

Business review

The principal activity of the company continued to be the design, manufacture and distribution of workwear clothing.

Operating profits improved significantly before making provision for the exceptional cost of reorganising the production facilities of the company.

The trading results for the year are shown in the profit and loss account on page 6.

The directors recommend the payment of a final dividend of £461,000 with £59 being transferred to reserves.

As part of a group restructuring the company name was changed from Jenbro Limited to Cosalt Workwear Limited on 7 September 1998 and the trading operations of fellow subsidiary undertakings Raven of Barnsley Limited and Workwear Direct Limited were transferred to the company with effect from the start of business on 31 August 1998.

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 financial year.

Messrs. A.P.H. Thomas, N.R. Carrick and M. Hirst retire by rotation and, being eligible, offer themselves for re-election.

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 30 August 1998	At 1 September 1997
A.P.H. Thomas	1,765	1,667
G.R. Parton	3,247	2,839
M. Hirst	783	522
J.R. Graham	407	277
J.O. Farrell	1,968	1,560

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

COSALT WORKWEAR LIMITED

DIRECTORS' REPORT

(continued)

Directors' shareholdings (continued)

Mr. A.P.H. Thomas also held options to purchase Cosalt plc ordinary shares under the various Cosalt plc Executive Share Option Schemes as follows:

At 1 September 1997	Granted during year	Exercised during year	At 30 August 1998	Exercise price	Market price at date of exercise	Dates from which exercisable	Expiry date
10,000	-	10,000	-	140p	250p		
2,750	-	-	2,750	219.50p		17.02.00*	16.02.04
7,250	-	-	7,250	219.50p		17.02.00*	16.02.07
<u>-</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>	232.50p		23.12.00*	22.12.04
<u>20,000</u>	<u>10,000</u>	<u>10,000</u>	<u>20,000</u>				

* Performance criteria must be met before exercise permitted.

No options lapsed during the year.

The market price of Cosalt plc ordinary shares at 30 August 1998 was 197.50p and the range during the year was 196.50p to 277.50p.

Fixed assets

The movements in tangible fixed assets are set out in note 9 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.

Year 2000

The company has undertaken a detailed review to assess the impact of the year 2000 on all areas of activities. The review also considers the impact on customers and suppliers and there is ongoing dialogue with regard to their compliance.

Most of the company's management information and accounting systems have recently been replaced as part of its ongoing investment in IT systems, and assurances have been obtained from the suppliers that they are year 2000 compliant.

The costs incurred on upgrading other systems are written off against operating profits as incurred and are not believed to be material to the company's profits or capital expenditure programmes.

COSALT WORKWEAR LIMITED**DIRECTORS' REPORT**

(continued)

Auditors

The auditors, Messrs. Kidsons Impey, Chartered Accountants, have intimated their willingness to continue in office.

By order of the Board



A.B. Clark

Secretary

Fish Dock Road,
Grimsby.

23 November 1998.

COSALT WORKWEAR 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 period. 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention of fraud and other irregularities.

COSALT WORKWEAR LIMITED**REPORT OF THE AUDITORS TO THE MEMBERS**

We have audited the financial statements on pages 6 to 15 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements 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 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 30 August 1998 and of its profit for the fifty-two weeks then ended and have been properly prepared in accordance with the Companies Act 1985.


Kidsons Impey

Hull: 23 November 1998.

Registered Auditors
Chartered Accountants

COSALT WORKWEAR LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE FIFTY-TWO WEEKS ENDED 30 AUGUST 1998

	Note	52 weeks ended 30 August 1998 £	52 weeks ended 31 August 1997 £
Turnover	2	<u>9,987,497</u>	<u>9,082,324</u>
Operating profit before exceptional items	3	1,111,433	808,530
Exceptional items	4	<u>(297,043)</u>	<u>—</u>
Operating profit after exceptional items		814,390	808,530
Interest payable and similar charges (net)	5	<u>(130,245)</u>	<u>(125,774)</u>
Profit on ordinary activities before taxation		684,145	682,756
Taxation on ordinary activities	7	<u>(223,086)</u>	<u>(204,140)</u>
Profit for the financial year		461,059	478,616
Dividends	8	<u>(461,000)</u>	<u>(478,000)</u>
Transferred to reserves	15	<u>59</u>	<u>616</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.

COSALT WORKWEAR LIMITED
BALANCE SHEET - 30 AUGUST 1998

	Note	30 August 1998		31 August 1997	
		£	£	£	£
Fixed assets					
Tangible fixed assets	9		525,811		336,772
Current assets					
Stocks	10	1,180,821		793,883	
Debtors	11	2,013,552		1,635,094	
Bank and cash balances		<u>99,021</u>		<u>345,838</u>	
		3,293,394		2,774,815	
Creditors					
Amounts falling due within one year	12	<u>3,079,963</u>		<u>2,935,510</u>	
Net current assets/(liabilities)			<u>213,431</u>		<u>(160,695)</u>
Total assets less current liabilities			739,242		176,077
Creditors					
Amounts falling due after more than one year	12	453,243		173,586	
Provisions for liabilities and charges	13	<u>283,449</u>	<u>736,692</u>	<u>-</u>	<u>173,586</u>
Net assets			<u>2,550</u>		<u>2,491</u>
Capital and reserves					
Called up share capital	14		1,000		1,000
Profit and loss account	15		<u>1,550</u>		<u>1,491</u>
Equity shareholders' funds			<u>2,550</u>		<u>2,491</u>

Approved by the Board on 27 November 1998.


N.R. Carrick - Director

COSALT WORKWEAR LIMITED

NOTES ON FINANCIAL STATEMENTS - 30 AUGUST 1998

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 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:

Leasehold property improvements	Over life of lease
Plant and machinery	5% to 20%
Motor vehicles	20% to 25%

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 profit and loss account. References to finance leases include hire purchase transactions.

All other payments under lease agreements are charged in full to 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

Provision is made on the liability method for deferred taxation, arising from the different treatment of certain items for taxation and accounting purposes, unless there is reasonable probability that such deferred taxation will not be payable in the foreseeable future.

Pensions

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

COSALT WORKWEAR LIMITED

NOTES ON FINANCIAL STATEMENTS - 30 AUGUST 1998

(continued)

2 Turnover

Turnover represents the goods and services, excluding value added tax, invoiced to customers arising from the principal activity of the design, manufacture and distribution of workwear clothing. The geographical analysis of turnover is as follows:

	1998 £	1997 £
United Kingdom	9,919,948	9,008,944
Overseas	<u>67,549</u>	<u>73,380</u>
	<u>9,987,497</u>	<u>9,082,324</u>

All turnover originated in the United Kingdom.

3 Operating profit before exceptional items

Operating profit before exceptional items has been arrived at after charging/(crediting):

	1998 £	1997 £
Movement in stocks of finished goods and work in progress	(417,275)	(121,650)
Raw materials and consumables	6,407,387	5,761,020
Operating lease rentals - property	24,898	34,734
- plant	42,858	28,833
Auditors' remuneration	4,350	4,000
Other external charges	731,686	592,812
Staff costs (note 6)	1,865,677	1,793,797
Depreciation on owned assets	(32,403)	30,104
Depreciation on assets held under hire purchase agreements	137,786	44,944
Other operating charges	<u>111,100</u>	<u>105,200</u>
	<u>8,876,064</u>	<u>8,273,794</u>

During the year the expected useful lives of certain items of plant were reassessed and extended.

4 Exceptional items

	1998 £	1997 £
Reorganisation costs	278,697	-
Relocation costs	<u>18,346</u>	<u>-</u>
	<u>297,043</u>	<u>-</u>

COSALT WORKWEAR LIMITED

NOTES ON FINANCIAL STATEMENTS - 30 AUGUST 1998

(continued)

5 Interest payable and similar charges (net)

	1998 £	1997 £
Capital charge by ultimate parent company	154,180	105,200
On finance leases	<u>19,145</u>	<u>20,574</u>
	173,325	125,774
Interest received	<u>43,080</u>	<u>-</u>
	<u>130,245</u>	<u>125,774</u>

6 Directors and employees

	1998 £	1997 £
Staff costs:		
Wages and salaries	1,675,438	1,609,353
Social security costs	133,203	131,250
Other pension costs	41,667	33,245
Employees' profit sharing scheme	<u>15,369</u>	<u>19,949</u>
	<u>1,865,677</u>	<u>1,793,797</u>

The emoluments of directors of the company were:

	£	£
Remuneration for management	<u>245,227</u>	<u>138,477</u>

Remuneration of the highest paid director for 1998 was £79,718 (1997 £26,056) including £11,000 (1997 £Nil) of gains on the exercise of share options and £3,734 (1997 £1,239) of pension contributions. The accrued pension entitlement of the highest paid director is £8,730 (1997 £6,767).

	Number	Number
The number of directors accruing benefits under defined benefit pension schemes in respect of qualifying services was:	7	7
The number of directors exercising share options in respect of Cosalt plc shares during the year was:	1	1
The number of directors granted share options in respect of Cosalt plc shares during the year was:	3	3
	Number	Number
The average number of employees of the company during the year was:		
Management and administration	30	19
Production and sales staff	<u>125</u>	<u>151</u>
	<u>155</u>	<u>170</u>

COSALT WORKWEAR LIMITED

NOTES ON FINANCIAL STATEMENTS - 30 AUGUST 1998

(continued)

7 Taxation on ordinary activities

	1998 £	1997 £
The taxation charge based on the profit on ordinary activities is:		
U.K. Corporation tax payable at 31% (1997 32.16%)	217,350	214,000
Deferred taxation	<u>(13,351)</u>	<u>(6,804)</u>
	203,999	207,196
Adjustments in respect of prior years:		
Corporation tax	-	(29,376)
Deferred taxation	<u>19,087</u>	<u>26,320</u>
	<u>223,086</u>	<u>204,140</u>

8 Dividends

	1998 £	1997 £
Final dividend proposed	<u>461,000</u>	<u>478,000</u>

9 Tangible fixed assets

	Leasehold property improvements £	Plant and machinery £	Total £
Cost			
At 1 September 1997	36,366	1,036,581	1,072,947
Additions	-	296,776	296,776
Intra group transfers	-	3,875	3,875
Disposals	<u>(36,366)</u>	<u>(344,663)</u>	<u>(381,029)</u>
At 30 August 1998	<u>-</u>	<u>992,569</u>	<u>992,569</u>
Depreciation			
At 1 September 1997	29,606	706,569	736,175
Charged to profit and loss account	6,760	98,623	105,383
Intra group transfers	-	3,229	3,229
Eliminated in respect of disposals	<u>(36,366)</u>	<u>(341,663)</u>	<u>(378,029)</u>
At 30 August 1998	<u>-</u>	<u>466,758</u>	<u>466,758</u>
Net book values			
At 30 August 1998	<u>-</u>	<u>525,811</u>	<u>525,811</u>
At 31 August 1997	<u>6,760</u>	<u>330,012</u>	<u>336,772</u>

Assets costing approximately £372,000 have been fully depreciated and are still in use.

COSALT WORKWEAR LIMITED

NOTES ON FINANCIAL STATEMENTS - 30 AUGUST 1998

(continued)

9 Tangible fixed assets (continued)

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

	1998 £	1997 £
Cost	622,963	349,715
Depreciation	<u>242,902</u>	<u>123,834</u>
Net book values	<u>380,061</u>	<u>225,881</u>

10 Stocks

	1998 £	1997 £
Raw materials	166,228	196,565
Work in progress	18,925	36,837
Finished goods	<u>995,668</u>	<u>560,481</u>
	<u>1,180,821</u>	<u>793,883</u>

11 Debtors

	1998 £	1997 £
Amounts falling due within one year:		
Trade debtors	1,718,152	1,276,577
Amounts due from fellow subsidiary undertakings	-	178,843
Group taxation relief recoverable	41,109	124,033
Deferred taxation (note 13)	-	984
Prepayments and accrued income	<u>254,291</u>	<u>54,657</u>
	<u>2,013,552</u>	<u>1,635,094</u>

COSALT WORKWEAR LIMITED

NOTES ON FINANCIAL STATEMENTS - 30 AUGUST 1998

(continued)

12 Creditors

	1998 £	1997 £
Amounts falling due within one year:		
Trade creditors	843,259	741,957
Amount owed to ultimate parent company	408,141	879,546
Amounts owed to fellow subsidiary undertakings	480,693	118,195
Corporation tax	217,350	243,297
Other taxation	213,325	131,300
Social security	16,435	11,859
Other creditors	41,729	2,034
Accruals and deferred income	291,916	280,166
Obligations under finance leases (note 16)	106,115	49,156
Dividend payable	<u>461,000</u>	<u>478,000</u>
	<u>3,079,963</u>	<u>2,935,510</u>
Amounts falling due after more than one year:		
Obligations under finance leases (note 16)	<u>453,243</u>	<u>173,586</u>

13 Provisions for liabilities and charges

	1998 £	1997 £
Provisions for reorganisation	278,697	-
Deferred taxation	<u>4,752</u>	-
	<u>283,449</u>	-
Deferred taxation comprises:		
Accelerated capital allowances	13,033	
Other timing differences	<u>(8,281)</u>	
	<u>4,752</u>	

The corresponding debtor for deferred taxation included in the balance sheet for 1997 was:

Delayed tax allowances	8,147
Other timing differences	<u>(7,163)</u>
	<u>984</u>

14 Called up share capital

	1998 £	1997 £
Authorised: 5,000 ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>
Issued and fully paid: 1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

COSALT WORKWEAR LIMITED

NOTES ON FINANCIAL STATEMENTS - 30 AUGUST 1998

(continued)

15	Reserves		
		1998	1997
	Reconciliation of movements in equity shareholders' funds	£	£
	Profit for the financial year	461,059	478,616
	Dividends	(461,000)	(478,000)
	Net addition to equity shareholders' funds	59	616
	Opening equity shareholders' funds	<u>2,491</u>	<u>1,875</u>
	Closing equity shareholders' funds	<u>2,550</u>	<u>2,491</u>
	Profit and loss account	£	
	Balance at 1 September 1997	1,491	
	Profit for the year, less dividend	<u>59</u>	
	Balance at 30 August 1998	<u>1,550</u>	
16	Leasing obligations		
		1998	1997
		£	£
	Future commitments due under finance leases are:		
	Within one year	144,835	63,794
	Between two and five years	521,790	202,542
	Beyond five years	<u>886</u>	<u>888</u>
		667,511	267,224
	Less: future finance charges	<u>108,153</u>	<u>44,482</u>
		<u>559,358</u>	<u>222,742</u>
	Shown in creditors (note 12) as:		
	Amounts falling due within one year	106,115	49,156
	Amounts falling due after more than one year	<u>453,243</u>	<u>173,586</u>
		<u>559,358</u>	<u>222,742</u>
	Annual commitments due under non-cancellable operating leases are:		
	Property leases which expire:		
	Within one year	<u>29,156</u>	<u>-</u>
	Plant leases which expire:		
	Within one year	15,617	8,809
	Between two and five years	<u>49,696</u>	<u>16,501</u>
		<u>65,313</u>	<u>25,310</u>

COSALT WORKWEAR LIMITED

NOTES ON FINANCIAL STATEMENTS - 30 AUGUST 1998

(continued)

17 Capital commitments

	1998 £	1997 £
Contracted for but not provided for in the financial statements	<u>167,000</u>	<u>-</u>

18 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, and the assets of these schemes are held in separate trustee administered funds.

Contributions by the company which amounted to £41,667 (1997 £33,245) are based on pension costs across the group as a whole and are assessed in accordance with advice of a qualified actuary. Particulars of actuarial valuations of the group schemes are disclosed in the financial statements of Cosalt plc. The latest actuarial assessment of the major scheme was made at 1 January, 1997.

19 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 8 as the consolidated financial statements in which the company is included are publicly available.

20 Ultimate parent company

The ultimate parent company is Cosalt plc, which is incorporated in England.