

# Faithful Group Limited

## Report and Accounts

31 December 1998

*Registered Number: 1966114*



# Faithful Group Limited

## DIRECTORS' REPORT

The directors submit their report for the year ended 31 December 1998.

### DIRECTORS

S J Dorrell (Chairman)  
P R Warr (Managing Director)  
Mrs C I Dorrell  
A D Dorrell  
Mrs P A W Dorrell

Mr A D Dorrell retires by rotation and, being eligible, offers himself for re-election.

### ACCOUNTS AND DIVIDENDS

The profit for the financial year amounts to £1,580,277 (1997: £1,327,521) and after dividends is dealt with as shown in the consolidated profit and loss account..

An interim dividend of 200p per share has been declared during the year. A final dividend of 400p per share is proposed, making a total for the year of 600p per share.

### ACTIVITIES AND REVIEW OF BUSINESS DEVELOPMENTS

The activities of the group have continued to be the manufacture and supply of garments for people at work.

### DIRECTORS' INTERESTS

The directors' interests, including family interests, as defined by the Companies Act 1985, in the ordinary share capital of the company were as follows:

|                 | <i>Non-Beneficial interests</i> |               | <i>Beneficial interests</i> |               |
|-----------------|---------------------------------|---------------|-----------------------------|---------------|
|                 | <i>1998</i>                     | <i>1997</i>   | <i>1998</i>                 | <i>1997</i>   |
|                 | <i>Number</i>                   | <i>Number</i> | <i>Number</i>               | <i>Number</i> |
| S J Dorrell     | 1,000                           | 1,000         | 5,347                       | 5,347         |
| Mrs C I Dorrell | -                               | -             | 3,202                       | 3,202         |
| P R Warr        | -                               | -             | 100                         | 100           |
| A D Dorrell     | 1,000                           | 1,000         | 5,347                       | 5,347         |

### DISABLED PERSONS

It is the company's policy to give full consideration to suitable applications for employment by disabled persons. Opportunities also exist for employees of the company who become disabled to continue in their employment or to be trained for other positions within the company.

### POST BALANCE SHEET EVENT

On 30 April 1999 the Group acquired the whole of the issued share capital of Bristol Uniforms Limited for £1.2 million. The acquisition has been funded from internal cash resources.

**DIRECTORS' REPORT**

**EMPLOYEE INVOLVEMENT POLICIES**

During the year the company has continued to provide employees with relevant information and to seek their views on matters of concern both through their representatives and through the company's senior management.

**CHARITABLE AND POLITICAL CONTRIBUTIONS**

During the year the group made political donations of £50 (1997: £500) and various charitable donations totalling £558 (1997: £4,329).

**CREDITOR PAYMENT POLICY**

It is the group's policy that payment to suppliers are made in accordance with those terms and conditions agreed between the group and its suppliers, provided that all trading terms and conditions have been complied with. The number of days outstanding in trade creditors was 26.

**YEAR 2000**

As is well known, many computer and digital storage systems 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 the event that there is a failure by other parties to remedy their own Year 2000 issues.

A significant risk analysis has been performed to determine the impact of the issue on our activities. From this, prioritised action plans have been developed which are designed to address the key risks in advance of critical dates and without disruption to the underlying business activities. Priority is given to those systems which could cause a significant financial or legal impact on the company's business if they were to fail. The plan also includes a requirement for the testing of systems changes, involving the participation of users.

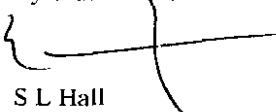
The risk analysis also considers the impact on our business of Year 2000 related failures by our significant suppliers and customers. In appropriate cases we have initiated formal communications with these other parties.

Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems will remain, because at least some level of failure may still occur. However, the Board believes that it will achieve an acceptable state of readiness and has also provided resources to deal promptly with significant subsequent failures or issues that might arise.

**AUDITORS**

A resolution to re-appoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the Board



S L Hall  
Secretary

17 May 1999

## Faithful Group Limited

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### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which gives a true and fair view of the state of affairs of the company and of the profit or loss of the company 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the accounts.

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 accounts comply with the Companies Act. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **REPORT OF THE AUDITORS**

### **to the members of Faithful Group Limited**

We have audited the accounts on pages 5 to 20 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and on the basis of the accounting policies set out on pages 10 and 11.

#### **Respective responsibilities of directors and auditors**

As described on page 3 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.

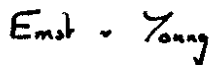
#### **Basis of opinion**

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 1998 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  
Birmingham

17 May 1999

# Faithful Group Limited

## GROUP PROFIT AND LOSS ACCOUNT for the year ended 31 December 1998

|  | Note | 1998<br>£  | 1997<br>£  |
|--|------|------------|------------|
| <b>TURNOVER</b>                                      |      | 24,322,990 | 25,611,036 |
| Operating costs                                      | 3    | 21,921,859 | 23,697,905 |
| Operating profit                                     |      | 2,401,131  | 1,913,131  |
| Interest receivable                                  | 4    | 146,122    | 84,799     |
| Interest payable                                     | 5    | (22,561)   | (112,398)  |
| Diminution in value of property                      |      | (55,000)   | -          |
| <b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b> |      | 2,469,692  | 1,885,532  |
| Tax on profit on ordinary activities                 | 8    | 889,415    | 558,011    |
| <b>PROFIT FOR THE FINANCIAL YEAR</b>                 |      | 1,580,277  | 1,327,521  |
| Dividends  | 9    | 152,640    | 127,200    |
| <b>RETAINED PROFIT FOR THE FINANCIAL YEAR</b>        | 19   | 1,427,637  | 1,200,321  |

# Faithful Group Limited

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

|  | <i>Note</i> | <i>1998</i><br>£ | <i>1997</i><br>£ |
|--|-------------|------------------|------------------|
| Profit for the financial year                          |             | 1,580,277        | 1,327,521        |
| Exchange adjustments                                   |             | 126,653          | (176,952)        |
| Total recognised gains and losses relating to the year | 20          | <u>1,706,930</u> | <u>1,150,569</u> |

### NOTE OF HISTORICAL COST PROFITS AND LOSSES

|   | <i>1998</i><br>£ | <i>1997</i><br>£ |
|---|------------------|------------------|
| Reported profit on ordinary activities before taxation                    | 2,469,692        | 1,885,532        |
| Realisation of property revaluation gains of previous years               | 9,284            | 7,427            |
| Historical cost profit on ordinary activities before taxation             | <u>2,478,976</u> | <u>1,892,959</u> |
| Historical cost profit for the year retained after taxation and dividends | <u>1,436,921</u> | <u>1,207,748</u> |

# Faithful Group Limited

## GROUP BALANCE SHEET at 31 December 1998

|   | Note | 1998<br>£         | 1997<br>£         |
|---|------|-------------------|-------------------|
| <b>FIXED ASSETS</b>   |      |                   |                   |
| Tangible assets   | 10   | 2,899,774         | 3,043,570         |
| <b>CURRENT ASSETS</b>   |      |                   |                   |
| Stocks  | 12   | 6,743,212         | 5,831,771         |
| Debtors   | 13   | 3,580,293         | 4,099,205         |
| Cash at bank and in hand  | 21   | 2,958,240         | 2,253,055         |
|   |      | <u>13,281,745</u> | <u>12,184,031</u> |
| <b>CREDITORS - amounts falling due within one year</b>          |      |                   |                   |
| Bank overdrafts   | 21   | -                 | 666,034           |
| Trade and other creditors                                       | 14   | 2,351,812         | 2,453,290         |
| UK corporation tax  |      | 429,567           | 309,168           |
| Overseas tax  |      | 215,728           | 61,983            |
| Dividends   |      | 101,760           | 95,400            |
|   |      | <u>3,098,867</u>  | <u>3,585,875</u>  |
| <b>NET CURRENT ASSETS</b>                                       |      | <u>10,182,878</u> | <u>8,598,156</u>  |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                    |      | <u>13,082,652</u> | <u>11,641,726</u> |
| <b>CREDITORS - amounts falling due after more than one year</b> |      |                   |                   |
| <b>PROVISION FOR LIABILITIES AND CHARGES</b>                    | 15   | 139,227           | 172,260           |
|   | 16   | 540,783           | 621,114           |
|   |      | <u>12,402,642</u> | <u>10,848,352</u> |
| <b>CAPITAL AND RESERVES</b>                                     |      |                   |                   |
| Called up share capital   | 17   | 25,440            | 25,440            |
| Capital reserve   | 18   | 225,702           | 225,702           |
| Revaluation reserves  | 18   | 523,781           | 533,065           |
| Profit and loss account   | 19   | 11,627,719        | 10,064,145        |
| <b>Equity shareholders' funds</b>                               | 20   | <u>12,402,642</u> | <u>10,848,352</u> |

S J Dorrell

P R Warr

17 May 1999

Directors



# Faithful Group Limited

## COMPANY BALANCE SHEET at 31 December 1998

|  | Note | 1998<br>£        | 1997<br>£        |
|--|------|------------------|------------------|
| <b>FIXED ASSETS</b>  |      |                  |                  |
| Investments  | 11   | 1,399,711        | 1,399,711        |
| <b>CURRENT ASSETS</b>  |      |                  |                  |
| Debtors  | 13   | 2,313,363        | 2,244,690        |
| Cash at bank and in hand                                       |      | 49,717           | 18,470           |
|  |      | <u>2,363,080</u> | <u>2,263,160</u> |
| <b>CREDITORS: amounts falling due within one year</b>          |      |                  |                  |
| Accruals and deferred income                                   |      | 24,535           | 17,789           |
| Corporation tax  |      | 12,720           | 31,800           |
| Dividends  |      | 101,760          | 95,400           |
|  |      | <u>139,015</u>   | <u>144,989</u>   |
| <b>NET CURRENT ASSETS</b>                                      |      | <u>2,224,065</u> | <u>2,118,171</u> |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   |      | <u>3,623,776</u> | <u>3,517,882</u> |
| <b>CREDITORS: amounts falling due after more than one year</b> |      |                  |                  |
| Loan from subsidiary undertaking                               |      | 900,610          | 1,029,707        |
|  |      | <u>2,723,166</u> | <u>2,488,175</u> |
| <b>CAPITAL AND RESERVES</b>                                    |      |                  |                  |
| Called up share capital  | 17   | 25,440           | 25,440           |
| Profit and loss account  | 19   | 2,697,726        | 2,462,735        |
| <b>EQUITY SHAREHOLDERS' FUNDS</b>                              | 20   | <u>2,723,166</u> | <u>2,488,175</u> |

S Dorrell

P R Warr

17 May 1999

*[Signature]* Directors  
*[Signature]*

# Faithful Group Limited

## GROUP CASH FLOW STATEMENT for the year ended 31 December 1998

|   | Notes     | 1998<br>£        | 1997<br>£          |
|---|-----------|------------------|--------------------|
| <b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>                                      | <b>21</b> | <b>2,380,351</b> | <b>2,019,364</b>   |
| <b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>                                |           |                  |                    |
| Interest received   |           | 146,122          | 84,789             |
| Interest paid   |           | (22,561)         | (112,387)          |
| <b>NET CASH INFLOW/(OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b> |           | <b>123,561</b>   | <b>(27,598)</b>    |
| <b>TAXATION</b>   |           |                  |                    |
| Corporation tax paid (including advance corporation tax)                              |           | (591,421)        | (515,862)          |
| <b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>                                   |           |                  |                    |
| Payments to acquire tangible fixed assets   |           | (495,507)        | (320,724)          |
| Receipts from sale of tangible fixed assets   |           | 41,978           | 45,085             |
|   |           | <b>(453,529)</b> | <b>(275,639)</b>   |
| <b>ACQUISITIONS</b>   |           |                  |                    |
| Purchase of subsidiary undertakings   |           | -                | (1,967,082)        |
| Net overdraft acquired with subsidiary undertakings                                   |           | -                | (1,273,724)        |
|   |           | -                | <b>(3,240,806)</b> |
| <b>EQUITY DIVIDENDS PAID</b>  |           | <b>(146,280)</b> | <b>(31,800)</b>    |
| <b>INCREASE/(DECREASE) IN CASH</b>  | <b>21</b> | <b>1,312,682</b> | <b>(2,072,341)</b> |

# Faithful Group Limited

## NOTES TO THE ACCOUNTS at 31 December 1998

### 1 ACCOUNTING POLICIES

The accounts are prepared under the historical cost convention, except that certain properties are included at valuation, and in accordance with applicable accounting standards.

#### *Basis of consolidation*

The consolidated accounts incorporate the accounts of the company and each of its subsidiaries for the year ended 31 December 1998.

#### *Fixed assets and depreciation*

Freehold land is not depreciated. The cost or valuation of other fixed assets is written off by equal annual instalments over their expected useful lives as follows:

|                     |             |
|---------------------|-------------|
| Freehold buildings  | 25-40 years |
| Plant and equipment | 3-10 years  |
| Motor vehicles      | 4-5 years   |

#### *Leased assets*

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the group, are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals in respect of assets held under operating leases are charged to the profit and loss account as incurred.

#### *Stocks*

Stocks are valued at the lower of cost and net realisable value. In the case of finished goods and work in progress cost comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads.

#### *Deferred taxation*

Provision is made for deferred taxation, using the liability method, on short-term timing differences and all other material timing differences which are not expected to continue in the future.

#### *Pension costs*

Pension costs are recognised on a systematic basis so that the costs of providing retirement benefits to employees are evenly matched, so far as possible, to the service lives of the employees concerned. Any excess or deficiency of the actuarial value of assets over the actuarial value of liabilities of the pension scheme is allocated over the average remaining service lives of current employees.

#### *Foreign currencies*

Assets, liabilities, revenues and costs denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction; monetary assets and liabilities at the balance sheet date are translated at the year end rate of exchange. All exchange differences thus arising are reported as part of the profit for the year.

Upon consolidation, assets and liabilities of the overseas subsidiaries are translated at the year end rate of exchange and the profit and loss account at an average rate. All exchange differences arising on consolidation are included in reserves.

# Faithful Group Limited

## NOTES TO THE ACCOUNTS at 31 December 1998

### 1 ACCOUNTING POLICIES (continued)

#### Goodwill

Depending on the circumstances of each acquisition, goodwill arising on acquisition prior to 31 December 1997 was set off directly against reserves. Goodwill previously eliminated against reserves has not been reinstated on implementation of FRS 10.

Positive goodwill arising on acquisitions since 1 January 1998 is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

If a subsidiary, associate or business is subsequently sold or closed, any goodwill arising on acquisition that was written off directly to reserves or that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closures.

### 2 TURNOVER

Turnover comprises sales to third parties exclusive of value added tax. Turnover is attributable to one continuing activity, the manufacture and supply of garments for people at work.

Turnover is analysed as follows:

|                        | 1998<br>£         | 1997<br>£         |
|------------------------|-------------------|-------------------|
| Continuing operations: |                   |                   |
| United Kingdom         | 11,159,995        | 11,231,065        |
| Overseas               | 13,162,995        | 14,379,971        |
|                        | <u>24,322,990</u> | <u>25,611,036</u> |

### 3 OPERATING COSTS

|  | 1998<br>£         | 1997<br>£         |
|--|-------------------|-------------------|
| Decrease/(increase) in stocks of finished goods and work in progress | (1,166,991)       | 607,659           |
| Raw materials and consumables  | 12,721,964        | 11,960,423        |
| Staff costs:   |                   |                   |
| Wages and salaries   | 6,387,467         | 6,841,602         |
| Social security costs  | 818,586           | 884,978           |
| Other pension costs  | 214,902           | 178,926           |
| Depreciation   | 489,834           | 435,621           |
| Operating lease rentals - plant and equipment                        | 187,561           | 197,601           |
| - land and buildings   | 140,492           | 132,684           |
| Auditors' remuneration - audit services                              | 50,045            | 84,232            |
| - non-audit services   | 34,620            | 43,564            |
| Other operating charges  | 2,043,379         | 2,330,615         |
|  | <u>21,921,859</u> | <u>23,697,905</u> |

Included in auditors remuneration are audit fees paid to the group auditors, Ernst & Young, of £17,500 together with non audit fees of £20,500.

# Faithful Group Limited

## NOTES TO THE ACCOUNTS at 31 December 1998

### 4 INTEREST RECEIVABLE

|               | 1998<br>£ | 1997<br>£ |
|---------------|-----------|-----------|
| Bank interest | 146,122   | 84,799    |

### 5 INTEREST PAYABLE

|  | 1998<br>£ | 1997<br>£ |
|--|-----------|-----------|
| On amounts repayable within five years:<br>Bank overdrafts and loans | 22,561    | 112,398   |

### 6 DIRECTORS' EMOLUMENTS

|  | 1998<br>£ | 1997<br>£ |
|--|-----------|-----------|
| Emoluments (excluding pension contributions) | 304,001   | 269,847   |
| Highest paid director                        | 109,861   | 99,378    |
| Accumulated accrued pension benefits         | 61,625    | 56,082    |

### 7 EMPLOYEES

The average number of employees during the period was 624 (1997 - 667).

### 8 TAX ON PROFIT ON ORDINARY ACTIVITIES

|  | 1998<br>£ | 1997<br>£ |
|--|-----------|-----------|
| The charge based on the profit for the year comprises: |           |           |
| UK Corporation tax at 33% (1997: 33%)                  | 455,000   | 298,796   |
| UK Deferred tax  | -         | (7,200)   |
| Corporation tax adjustment for prior years             | (3,015)   | 482       |
|  | 451,985   | 292,078   |
| Overseas current tax                                   | 512,007   | 217,235   |
| Overseas deferred tax                                  | (74,577)  | 48,698    |
|  | 889,415   | 558,011   |

### 9 DIVIDENDS

|  | 1998<br>£ | 1997<br>£ |
|--|-----------|-----------|
| Interim paid of 200p per share (1997 - 125p)   | 50,880    | 31,800    |
| Proposed final of 400p per share (1997 - 375p) | 101,760   | 95,400    |
|  | 152,640   | 127,200   |

# Faithful Group Limited

## NOTES TO THE ACCOUNTS at 31 December 1998

### 10 TANGIBLE FIXED ASSETS GROUP

|                      | <i>Freehold land<br/>and buildings</i> | <i>Plant,<br/>equipment<br/>and vehicles</i> | <i>Total</i> |
|----------------------|--|--|--------------|
|                      | £                                      | £  | £            |
| Cost or valuation:   |  |  |              |
| At 1 January 1998    | 2,300,667                              | 5,644,256                                    | 7,944,923    |
| Exchange adjustments | 15,923                                 | 9,026  | 24,949       |
| Additions            | 27,378                                 | 443,180                                      | 470,558      |
| Disposals            | (588)                                  | (223,525)                                    | (224,113)    |
| At 31 December 1998  | 2,343,380                              | 5,872,937                                    | 8,216,317    |
| Depreciation:        |  |  |              |
| At 1 January 1998    | 508,908                                | 4,392,445                                    | 4,901,353    |
| Exchange adjustments | 6,432                                  | 6,027  | 12,459       |
| Charge for the year  | 117,486                                | 427,348                                      | 544,834      |
| Disposals            | -                                      | (142,103)                                    | (142,103)    |
| At 31 December 1998  | 632,826                                | 4,683,717                                    | 5,316,543    |
| Net book value:      |  |  |              |
| At 31 December 1998  | 1,710,554                              | 1,189,220                                    | 2,899,774    |
| At 1 January 1998    | 1,791,759                              | 1,251,811                                    | 3,043,570    |

An analysis of cost or valuation of freehold land and buildings is as follows:

|                     | 1998      | 1997      |
|---------------------|-----------|-----------|
|                     | £         | £         |
| At cost             | 1,413,380 | 1,370,667 |
| At valuation - 1994 | 930,000   | 930,000   |
|                     | 2,343,380 | 2,300,667 |

# Faithful Group Limited

## NOTES TO THE ACCOUNTS at 31 December 1998

### 10 TANGIBLE FIXED ASSETS *(continued)*

On a historical cost basis freehold land and buildings would have been included at:

|                          | 1998<br>£        | 1997<br>£        |
|--------------------------|------------------|------------------|
| Cost                     | 1,777,218        | 1,734,505        |
| Accumulated depreciation | 638,956          | 518,987          |
|                          | <u>1,138,262</u> | <u>1,215,518</u> |

Freehold land and buildings includes £406,030 (1997 - £407,135) in respect of land.

### COMPANY

|  | Plant<br>equipment<br>and vehicles<br>£ |
|--|---|
| Cost or valuation:                     |   |
| At 1 January 1998 and 31 December 1998 | 12,200                                  |
| Depreciation:                          |   |
| At 1 January 1998 and 31 December 1998 | 12,200                                  |
| Net book value:                        |   |
| At 1 January 1998 and 31 December 1998 | -                                       |

### 11 FIXED ASSETS - INVESTMENT COMPANY

| Subsidiary undertakings                  | Shares<br>£ |
|--|-------------|
| Cost                                     |             |
| At 31 December 1997 and 31 December 1998 | 1,399,711   |

The group has shareholdings in the following subsidiary undertakings:

|  |                                   |
|--|-----------------------------------|
| Faithful Limited                       | - registered in England and Wales |
| Frederick Moffat Limited (non-trading) | - registered in England and Wales |
| Faithful Holdings Limited              | - registered in England and Wales |
| Faithful GB Limited (non-trading)      | - registered in England and Wales |
| Faithful Nederland BV                  | - incorporated in Holland         |
| Faithful BV                            | - incorporated in Holland         |
| Liemco Beroepskleding BV               | - incorporated in Holland         |
| Faithful Inc                           | - incorporated in the USA         |
| Topps Safety Apparel Inc.              | - incorporated in the USA         |
| Faithful Qualitext S.A.R.L.            | - incorporated in Tunisia         |

All subsidiaries are wholly owned.

# Faithful Group Limited

## NOTES TO THE ACCOUNTS

at 31 December 1998

### 11 FIXED ASSETS - INVESTMENTS *(continued)*

At 31 December 1998 the investment in Faithful BV and Liemco Beroepskleding BV were held by Faithful Nederland BV, the investment in Faithful Nederland BV and Faithful Inc. were held by Faithful Holdings Limited and the investment in Frederick Moffat Limited was held by Faithful Limited. The investment in Topps Safety Apparel Inc. was held by Faithful Inc. The investments in all other subsidiaries are held by the company.

The trading subsidiaries manufacture and supply garments for people at work.

### 12 STOCKS

|                  | 1998<br>£        | 1997<br>£        |
|------------------|------------------|------------------|
| <b>GROUP</b>     |                  |                  |
| Raw materials    | 1,787,364        | 2,040,765        |
| Work in progress | 754,607          | 728,512          |
| Finished goods   | 4,183,398        | 3,036,379        |
| Other            | 17,843           | 26,115           |
|                  | <u>6,743,212</u> | <u>5,831,771</u> |

The difference between purchase price or production cost of stocks and their replacement cost is not material.

### 13 DEBTORS

| <b>GROUP</b>                   | 1998<br>£        | 1997<br>£        |
|--------------------------------|------------------|------------------|
| Amounts due within one year:   |                  |                  |
| Trade debtors                  | 3,303,956        | 3,897,440        |
| Prepayments and accrued income | 276,337          | 177,915          |
| ACT recoverable (note 16)      | -                | 23,850           |
|                                | <u>3,580,293</u> | <u>4,099,205</u> |

#### COMPANY

|  |                  |                  |
|--|------------------|------------------|
| Amounts due within one year:             |                  |                  |
| Amounts due from subsidiary undertakings | 2,301,398        | 2,233,275        |
| Group relief receivable                  | 11,583           | 10,980           |
| Prepayments and accrued income           | 382              | 435              |
|  | <u>2,313,363</u> | <u>2,244,690</u> |

### 14 TRADE AND OTHER CREDITORS GROUP

|                              | 1998<br>£        | 1997<br>£        |
|------------------------------|------------------|------------------|
| Trade creditors              | 893,474          | 1,188,998        |
| Accruals and deferred income | 836,726          | 717,225          |
| Taxation and social security | 583,376          | 515,991          |
| Pension scheme contributions | 38,236           | 31,076           |
|                              | <u>2,351,812</u> | <u>2,453,290</u> |



# Faithful Group Limited

## NOTES TO THE ACCOUNTS

at 31 December 1998

### 15 CREDITORS - amounts falling due after more than one year

|                              | 1998<br>£ | 1997<br>£ |
|------------------------------|-----------|-----------|
| <b>GROUP</b>                 |           |           |
| Accruals and deferred income | 139,227   | 172,260   |

### 16 PROVISIONS FOR LIABILITIES AND CHARGES

#### GROUP

#### Deferred taxation

|  | 1998<br>£ | 1997<br>£ |
|--|-----------|-----------|
| At 1 January                               | 621,114   | (2,145)   |
| Exchange adjustments                       | (5,754)   | 20,403    |
| Transfer (to)/from profit and loss account | (74,577)  | 41,498    |
| Movement in advance corporation tax        | -         | 19,080    |
| Acquisitions                               | -         | 542,278   |
| At 31 December                             | 540,783   | 621,114   |

Deferred taxation provided in the accounts and the full potential liability consists of:

|  | 1998<br>£ | Provided<br>1997<br>£ | Full potential liability<br>1998<br>£ | 1997<br>£ |
|--|-----------|-----------------------|---------------------------------------|-----------|
| Accelerated capital allowances         | -         | 36,615                | 63,001                                | 74,324    |
| Short term timing differences          | -         | (36,615)              | (35,590)                              | (40,160)  |
| Overseas short term timing differences | 540,783   | 621,114               | 540,783                               | 621,114   |
|  | 540,783   | 621,114               | 568,194                               | 655,278   |

Deferred tax on the revalued property is not provided as this does not constitute a timing difference.

### 17 CALLED UP SHARE CAPITAL

|                            | Authorised<br>1998 & 1997<br>£                               |
|----------------------------|--|
| Ordinary shares of £1 each | 50,000   |
|                            | Allotted, called<br>up and<br>fully paid<br>1998 & 1997<br>£ |
| Ordinary shares of £1 each | 25,440   |

# Faithful Group Limited

## NOTES TO THE ACCOUNTS at 31 December 1998

### 18 RESERVES GROUP

|                                     | <i>Capital</i><br>£ | <i>Revaluation</i><br>£ |
|-------------------------------------|---------------------|-------------------------|
| At 1 January 1998                   | 225,702             | 533,065                 |
| Transfer to profit and loss account | -                   | (9,284)                 |
| At 31 December 1998                 | 225,702             | 523,781                 |

### 19 PROFIT AND LOSS ACCOUNT

|                                   | <i>Company</i><br>£ | <i>Group</i><br>£ |
|-----------------------------------|---------------------|-------------------|
| At 1 January 1998                 | 2,462,735           | 10,064,145        |
| Exchange adjustments              | (5,336)             | 125,070           |
| Tax on exchange gain              | 1,583               | 1,583             |
| Profit for the year               | 238,774             | 1,427,637         |
| Transfer from revaluation reserve | -                   | 9,284             |
| At 31 December 1998               | 2,697,726           | 11,627,719        |

As permitted by Section 228(7) of the Companies Act 1985 the profit and loss account of the parent company is not presented as part of these accounts. The profit on ordinary activities for the financial year dealt with in the accounts of the company amounted to £391,384 (1997: profit £202,713).

The cumulative amount of goodwill written off at 31 December 1998, net of goodwill relating to undertakings disposed of, is £327,981 (1997: £317,061).

# Faithful Group Limited

## NOTES TO THE ACCOUNTS at 31 December 1998

### 20 RECONCILIATION OF SHAREHOLDERS' FUNDS

|   | 1998<br>£  | 1997<br>£  |
|---|------------|------------|
| Total recognised gains and losses             | 1,706,930  | 1,150,569  |
| Dividends                                     | (152,640)  | (127,200)  |
| Total movements during the year               | 1,554,290  | 1,023,369  |
| Goodwill written off                          | -          | (96,088)   |
| Negative goodwill credited to capital reserve | -          | 225,702    |
| Total movements during the year               | 1,554,290  | 1,152,983  |
| Shareholders' funds at 1 January              | 10,848,352 | 9,695,369  |
| Shareholders' funds at 31 December            | 12,402,642 | 10,848,352 |

### 21 CASH FLOW STATEMENT

|   | 1998<br>£ | 1997<br>£   |
|---|-----------|-------------|
| a) Reconciliation of operating profit to net cash inflow from operating activities. |           |             |
| Operating profit  | 2,401,131 | 1,913,131   |
| Depreciation charges  | 489,834   | 435,621     |
| Loss on sale of tangible fixed assets   | 52,491    | 62,540      |
| (Increase)/decrease in stocks   | (911,411) | 84,211      |
| Decrease/(increase) in debtors  | 495,062   | (354,845)   |
| (Decrease) in creditors   | (146,756) | (111,006)   |
| Other provision movements   | -         | (10,288)    |
|   | 2,380,351 | 2,019,364   |
| b) Reconciliation of net cash flow to movement in net cash                          |           |             |
|   | 1998<br>£ | 1997<br>£   |
| Increase/(Decrease) in cash   | 1,312,682 | (2,072,341) |
| Change in net debt resulting from cash flows  | 1,312,682 | (2,072,341) |
| Exchange differences  | 58,537    | 165,095     |
| MOVEMENT IN NET CASH  | 1,371,219 | (1,907,246) |
| NET CASH AT 1 JANUARY   | 1,587,021 | 3,494,267   |
| NET CASH AT 31 DECEMBER   | 2,958,240 | 1,587,021   |

Notes

# Faithful Group Limited

## NOTES TO THE ACCOUNTS at 31 December 1998

### 21 CASH FLOW STATEMENT *(continued)*

#### c) Analysis of net cash

|                          | <i>At<br/>1 January<br/>1998<br/>£</i> | <i>Cash<br/>flow<br/>£</i> | <i>Exchange<br/>differences<br/>£</i> | <i>At<br/>31 December<br/>1998<br/>£</i> |
|--------------------------|--|----------------------------|---------------------------------------|--|
| Cash at bank and in hand | 2,253,055                              | 646,648                    | 58,537                                | 2,958,240                                |
| Bank overdrafts          | (666,034)                              | 666,034                    | -                                     | -  |
| Cash                     | 1,587,021                              | 1,312,682                  | 58,537                                | 2,958,240                                |

### 22 CAPITAL COMMITMENTS

|            | <i>1998<br/>£</i> | <i>1997<br/>£</i> |
|------------|-------------------|-------------------|
| Contracted | -                 | 2,717             |

### 23 LEASING COMMITMENTS

The annual commitment under non-cancellable operating leases was as follows:

|                          | <i>Land and Buildings</i> |                   | <i>Other</i>      |                   |
|--------------------------|---------------------------|-------------------|-------------------|-------------------|
|                          | <i>1998<br/>£</i>         | <i>1997<br/>£</i> | <i>1998<br/>£</i> | <i>1997<br/>£</i> |
| Leases expiring:         |                           |                   |                   |                   |
| Within one year          | -                         | 11,756            | 13,870            | 23,695            |
| Within two to five years | 12,545                    | -                 | 91,817            | 88,183            |
| Thereafter               | 133,344                   | 133,368           | -                 | -                 |
|                          | 145,889                   | 145,124           | 105,687           | 111,878           |

NOTES TO THE ACCOUNTS  
at 31 December 1998

**24 PENSION SCHEME**

The group operates four pension schemes.

The main scheme is defined benefit and relates to the company and its UK subsidiaries. The assets are held separately from those of the company in an independently administered fund. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees working lives with the company.

The pension cost is assessed triennially in accordance with the advice of a qualified actuary using the projected unit method. The latest actuarial assessment of the scheme was as at 5 April 1997. The assessment incorporated the main following assumptions.

|                              |   |
|------------------------------|---|
| Investment return            | 9% pa   |
| Pensionable salary increases | 7% pa   |
| Pension increases            | LPI average of 4% for benefits<br>accruing after 5 April 1997 |

At the date of the latest actuarial valuation, the market value of the schemes assets was £3,168,000, and the actuarial value of the assets was sufficient to cover 92% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contributions of the company were increased to 9% of earnings with effect from 6 April 1998, whilst employee contributions remained at 5%. The scheme deficiency will be eliminated in due course by the current contribution levels over the next 20 years.

There are two defined benefit schemes in the Dutch subsidiaries. Benefits are secured by means of insurance policies, with employee contributions of 9% and 5% of earnings, and the balance of premiums paid by the relevant subsidiary.

The US trading subsidiary operates an elective contribution plan, and employee contributions are matched by contributions from the subsidiary.