

# **BTQ Limited**

**(formerly Faithful Group Limited)**

Report and Financial Statements

31 December 2002

*Registered Number: 1966114*



# BTQ Limited (formerly Faithful Group Limited)

---

Registered Number: 1966114

## **DIRECTORS**

A D Dorrell (Chairman)  
S J Dorrell  
P R Warr  
Mrs C I Dorrell  
Mrs A C James

## **SECRETARY**

S L Hall

## **AUDITORS**

Ernst & Young LLP  
1 Colmore Row  
Birmingham  
B3 2DB

## **BANKERS**

Lloyds TSB Bank Plc  
4 The Cross  
Worcester  
WR1 3PY

## **SOLICITORS**

Martineau Johnson  
St Philips House  
St Philips Place  
Birmingham  
B3 2PP

## **REGISTERED OFFICE**

Northwick Road  
Worcester  
WR3 7DU

# BTQ Limited (formerly Faithful Group Limited)

## DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2002.

### PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The group's principal activities during the year continued to be the manufacture and supply of garments for people at work.

### RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £1,122,640. The directors recommend a final ordinary dividend amounting to £82,680, making the total of ordinary dividends of £120,840 for the year.

### GROUP REORGANISATION

An extraordinary general meeting of the company was held on 17 December 2002 at which resolutions were adopted which:

- divided the ordinary shares of the company into 25,440 "A" shares and 25,440 "B" shares;
- adopted new Articles of Association; and
- declared a dividend in specie of the company's investment in Faithful Limited to holders of the "B" shares.

The effect of these resolutions was to demerge Faithful Limited and its subsidiaries out of the group with effect from 1 January 2003.

On 19 December 2002, the name of the company was changed from Faithful Group Limited to BTQ Limited.

### DIRECTORS AND THEIR INTERESTS

The directors at 31 December 2002 and their interests in the share capital of the company were as follows:

|                              | <i>Non-Beneficial interests</i> |               | <i>Beneficial interests</i> |               |
|------------------------------|---------------------------------|---------------|-----------------------------|---------------|
|                              | <i>2002</i>                     | <i>2001</i>   | <i>2002</i>                 | <i>2001</i>   |
|                              | <i>Number</i>                   | <i>Number</i> | <i>Number</i>               | <i>Number</i> |
| A D Dorrell (Chairman)       | 1,000                           | 1,000         | 5,347                       | 5,347         |
| Mrs A C James                | 1,000                           | 1,000         | 5,348                       | 5,348         |
| S J Dorrell                  | 1,000                           | 1,000         | 5,347                       | 5,347         |
| Mrs C I Dorrell              | -                               | -             | 3,202                       | 3,202         |
| P R Warr (Managing Director) | -                               | -             | 100                         | 100           |

### DISABLED PERSONS

The group gives full consideration to applications for employment from disabled persons, where the requirement of the job can be adequately fulfilled by handicapped or disabled person. Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

# BTQ Limited (formerly Faithful Group Limited)

---

## DIRECTORS' REPORT (*continued*)

### EMPLOYEE INVOLVEMENT

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 no political donations but did make various charitable donations totalling £4,177.

### 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. At 31 December 2002, the company had an average of 42 days purchases outstanding in trade creditors.

### AUDITORS

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

By order of the Board



S L Hall  
Secretary

20 June 2003

## BTQ Limited (formerly Faithful Group Limited)

---

### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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 and of the group and of the profit or loss of the group 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; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

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 financial statements comply with the Companies Act. 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BTQ LIMITED (FORMERLY FAITHFUL GROUP LIMITED)**

We have audited the group's financial statements for the year ended 31 December 2002 which comprise the Group Profit and Loss Account, Group Balance Sheet, Company Balance Sheet, Group Cash Flow Statement, Group Statement of Total Recognised Gains and Losses and the related notes 1 to 25. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the group'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 group's members those matters we are required to state to them in an auditors 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, the company's members and the group'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**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

We conducted our audit in accordance with United Kingdom 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 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 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 affairs of the company and of the group as at 31 December 2002 and the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP  
Registered Auditor  
Birmingham

20 June 2003

20/6/03.

# BTQ Limited (formerly Faithful Group Limited)

## GROUP PROFIT AND LOSS ACCOUNT for the year ended 31 December 2002

|  | Note | 2002<br>£  | 2001<br>£  |
|--|------|------------|------------|
| <b>TURNOVER</b>                                      |      |            |            |
| Continuing operations:                               |      |            |            |
| Ongoing  |      | 29,290,929 | 30,266,027 |
| Acquisitions – Turtons Limited                       |      | 394,029    | -          |
| <b>GROUP TURNOVER</b>                                | 2    | 29,684,958 | 30,266,027 |
| Operating costs                                      |      | 28,014,919 | 28,961,150 |
| <b>OPERATING PROFIT</b>                              |      |            |            |
| Continuing operations:                               |      |            |            |
| Ongoing  |      | 1,596,578  | 1,304,877  |
| Acquisitions – Turtons Limited                       |      | 73,461     | -          |
| <b>GROUP OPERATING PROFIT</b>                        | 3    | 1,670,039  | 1,304,877  |
| Other interest receivable and similar income         | 4    | 46,418     | 74,046     |
| Interest payable and similar charges                 | 5    | (40,113)   | (65,453)   |
| <b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b> |      | 1,676,344  | 1,313,470  |
| Tax on profit on ordinary activities                 | 8    | 553,704    | 406,431    |
| <b>PROFIT FOR THE FINANCIAL YEAR</b>                 |      | 1,122,640  | 907,039    |
| Dividends  | 9    | 120,840    | 203,520    |
| <b>RETAINED PROFIT FOR THE FINANCIAL YEAR</b>        | 20   | 1,001,800  | 703,519    |

# BTQ Limited (formerly Faithful Group Limited)

## NOTE OF HISTORICAL COST PROFITS AND LOSSES for the year ended 31 December 2002

|   | 2002<br>£ | 2001<br>£ |
|---|-----------|-----------|
| Reported profit on ordinary activities before taxation  | 1,676,344 | 1,313,470 |
| Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount | 20,632    | 37,990    |
| Historical cost profit on ordinary activities before taxation   | 1,696,976 | 1,351,460 |
| Historical cost profit for the year retained after taxation and dividends   | 1,022,432 | 741,509   |

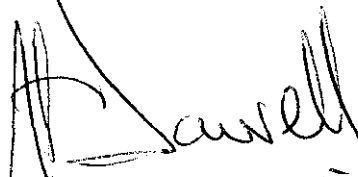
## GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2002

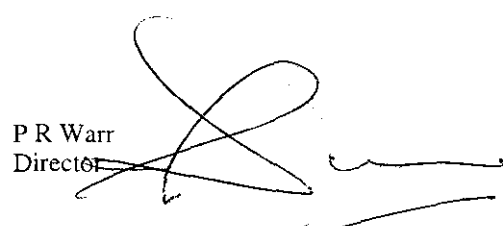
|   | Note | 2002<br>£ | 2001<br>£ |
|---|------|-----------|-----------|
| Profit for the financial year attributable to members of the parent company   |      | 1,122,640 | 907,039   |
| Exchange difference on retranslation of net assets of subsidiary undertakings | 20   | (227,619) | (1,798)   |
| Total recognised gains and losses relating to the year                        |      | 895,021   | 905,241   |

# BTQ Limited (formerly Faithful Group Limited)

## GROUP BALANCE SHEET at 31 December 2002

|  | Note | 2002<br>£         | 2001<br>£         |
|--|------|-------------------|-------------------|
| <b>FIXED ASSETS</b>  |      |                   |                   |
| Intangible assets  | 10   | 1,454,329         | 1,235,732         |
| Tangible assets  | 11   | 4,227,599         | 3,884,362         |
| Investments  | 12   | 200,000           | 200,000           |
|  |      | <u>5,881,928</u>  | <u>5,320,094</u>  |
| <b>CURRENT ASSETS</b>  |      |                   |                   |
| Stocks   | 13   | 7,572,961         | 7,834,055         |
| Debtors  | 14   | 5,160,775         | 5,166,728         |
| Cash at bank and in hand                                       |      | 2,719,843         | 1,415,028         |
|  |      | <u>15,453,579</u> | <u>14,415,811</u> |
| <b>CREDITORS: amounts falling due within one year</b>          | 15   | 4,352,273         | 3,603,707         |
| <b>NET CURRENT ASSETS</b>                                      |      | <u>11,101,306</u> | <u>10,812,104</u> |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   |      | <u>16,983,234</u> | <u>16,132,198</u> |
| <b>CREDITORS: amounts falling due after more than one year</b> | 16   | 193,031           | 62,240            |
| <b>PROVISION FOR LIABILITIES AND CHARGES</b>                   | 18   | 405,668           | 459,604           |
|  |      | <u>16,384,535</u> | <u>15,610,354</u> |
| <b>CAPITAL AND RESERVES</b>                                    |      |                   |                   |
| Called up share capital  | 19   | 25,440            | 25,440            |
| Revaluation reserve  | 20   | 1,314,999         | 1,293,115         |
| Capital reserve  | 20   | 225,702           | 225,702           |
| Profit and loss account  | 20   | 14,818,394        | 14,066,097        |
| <b>EQUITY SHAREHOLDERS' FUNDS</b>                              | 20   | <u>16,384,535</u> | <u>15,610,354</u> |

  
A D Dorrell  
Director

  
P R Warr  
Director

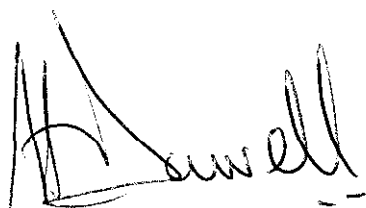
20 June 2003

# BTQ Limited (formerly Faithful Group Limited)

## COMPANY BALANCE SHEET

at 31 December 2002

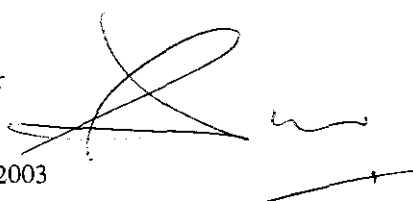
|   | Note | 2002<br>£        | 2001<br>£        |
|---|------|------------------|------------------|
| <b>FIXED ASSETS</b>                                   |      |                  |                  |
| Tangible assets                                       | 11   | 5,323            | 8,763            |
| Investments   | 12   | 3,661,865        | 3,661,865        |
|   |      | <u>3,667,188</u> | <u>3,670,628</u> |
| <b>CURRENT ASSETS</b>                                 |      |                  |                  |
| Debtors   | 14   | 2,364,044        | 2,583,020        |
| Cash at bank and in hand                              |      | 470,717          | 64,943           |
|   |      | <u>2,834,761</u> | <u>2,647,963</u> |
| <b>CREDITORS: amounts falling due within one year</b> | 15   | 183,359          | 662,804          |
| <b>NET CURRENT ASSETS</b>                             |      | <u>2,651,402</u> | <u>1,985,159</u> |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>          |      | <u>6,318,590</u> | <u>5,655,787</u> |
| <b>CAPITAL AND RESERVES</b>                           |      |                  |                  |
| Called up share capital                               | 19   | 25,440           | 25,440           |
| Profit and loss account                               | 20   | 6,293,150        | 5,630,347        |
| <b>EQUITY SHAREHOLDERS' FUNDS</b>                     |      | <u>6,318,590</u> | <u>5,655,787</u> |



A D Dorrell  
Director

P R Warr  
Director

20 June 2003



# BTQ Limited (formerly Faithful Group Limited)

## GROUP CASH FLOW STATEMENT

for the year ended 31 December 2002

|   | Notes | 2002<br>£ | 2001<br>£   |
|---|-------|-----------|-------------|
| <b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>                                      | 21    | 3,064,800 | 1,543,687   |
| <b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>                                |       |           |             |
| Interest received   |       | 46,418    | 74,046      |
| Interest paid   |       | (40,113)  | (65,453)    |
|   |       | 6,305     | 8,593       |
| <b>TAXATION</b>   |       |           |             |
| Corporation tax paid  |       | (583,427) | (286,282)   |
| <b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>                                   |       |           |             |
| Payments to acquire tangible fixed assets   |       | (953,635) | (352,323)   |
| Receipts from sale of tangible fixed assets   |       | 190       | 4,923       |
| Payments to acquire investments   |       | -         | (200,000)   |
|   |       | (953,445) | (547,400)   |
| <b>ACQUISITIONS</b>   |       |           |             |
| Purchase of subsidiary undertakings   |       | (601,703) | (1,862,764) |
| Cash acquired with subsidiary undertakings  |       | 103,396   | (63,191)    |
|   |       | (498,307) | (1,925,955) |
| <b>EQUITY DIVIDENDS PAID</b>  |       | (203,520) | (216,240)   |
| <b>NET CASH INFLOW / (OUTFLOW) BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCES</b> |       | 832,406   | (1,423,597) |
| <b>FINANCING</b>  |       |           |             |
| Repayment of capital element of finance leases and hire purchase contracts            |       | (2,883)   | (49,584)    |
| Cash inflow / (outflow) from borrowings   |       | 269,166   | (375,459)   |
|   |       | 266,283   | (425,043)   |
| <b>INCREASE/(DECREASE) IN CASH</b>  | 21    | 1,098,689 | (1,848,640) |

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2002

1 ACCOUNTING POLICIES

*Basis of preparation*

The financial statements are prepared under the historical cost convention modified to include the revaluation of certain freehold land and buildings.

In preparing the financial statements for the current year, the company has adopted FRS 19 'Deferred Tax' and the transitional arrangements of FRS17 'Retirement Benefits.' The adoption of FRS 19 has resulted in a change in accounting policy for deferred tax. Deferred tax is recognised on a full provision basis in accordance with the accounting policy described below. Previously, deferred tax was provided for on a partial provision basis, whereby provision was made on all timing differences to the extent that they were expected to reverse in the future without replacement. The change in accounting policy has not resulted in a prior year adjustment.

*Basis of consolidation*

The group financial statements consolidate the financial statements of Faithful Group Limited and all its subsidiary undertakings drawn up to 31 December each year. No profit and loss account is presented for Faithful Group Limited as permitted by section 230 of companies Act 1985.

Turtons Limited has been included in the group financial statements using the acquisition method of accounting. Accordingly, the group profit and loss account and statement of cash flows include the results and cash flows of Turtons Limited for the four month period from its acquisition on 1 September 2002. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

*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.

*Fixed assets and depreciation*

All fixed assets are initially recorded at cost.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation of each asset over its expected useful life as follows:

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

An amount of equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss reserve.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

*Investment*

Investments are recorded at cost.

# BTQ Limited (formerly Faithful Group Limited)

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2002

### 1 ACCOUNTING POLICIES (*continued*)

#### *Stocks*

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

|   |   |  |
|---|---|--|
| Raw materials, consumables and goods for resale | - | purchase cost on a first-in, first-out basis   |
| Work in progress and finished goods             | - | cost of direct materials and labour plus attributable overheads based on a normal level of activity. |

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

#### *Deferred taxation*

Deferred taxation is recognised in respects of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less tax in the future have occurred, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax is measured on an undiscounted basis at the rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date.

#### *Foreign currencies*

Transactions 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 rate of exchange ruling at the balance sheet date. All exchange differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings, to the extent that they are used to finance or provide a hedge against foreign equity investments, which are taken directly to reserves together with the exchange difference on the carrying amount of the related investments.

Upon consolidation, the financial statements of the overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves. All other translation differences are taken to the profit and loss account.

#### *Leasing and hire purchase commitments*

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the group, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities at the balance sheet date. The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

# BTQ Limited (formerly Faithful Group Limited)

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2002

### 1 ACCOUNTING POLICIES (continued)

#### *Pension and other post retirement benefits*

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.

### 2 TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties. Turnover is attributable to one continuing activity, the manufacture and supply of garments for people at work.

An analysis of turnover by geographical market is given below:

|                | 2002<br>£         | 2001<br>£         |
|----------------|-------------------|-------------------|
| United Kingdom | 11,050,735        | 11,046,913        |
| Overseas       | 18,634,223        | 19,219,114        |
|                | <u>29,684,958</u> | <u>30,266,027</u> |

### 3 OPERATING PROFIT

This is stated after charging:

|  | 2002<br>£ | 2001<br>£ |
|--|-----------|-----------|
| Depreciation of owned fixed assets                       | 488,385   | 559,034   |
| Depreciation of assets held under finance lease and hire |           |           |
| Purchase contracts                                       | -         | 5,616     |
| Amortisation of goodwill                                 | 72,993    | 53,557    |
| Auditors' remuneration - audit services                  | 93,444    | 78,902    |
| - non-audit services                                     | 43,299    | 36,874    |
| Operating lease rentals - plant and machinery            | 268,459   | 249,227   |
| - land and buildings                                     | 150,181   | 148,571   |

Included in auditors' remuneration are audit fees paid to the group auditor, Ernst & Young LLP, of £19,600 (2001:£15,500), together with non-audit fees of £17,027 (2001: £12,599).

### 4 INTEREST RECEIVABLE

|                | 2002<br>£     | 2001<br>£     |
|----------------|---------------|---------------|
| Bank interest  | 45,599        | 64,701        |
| Other interest | 819           | 9,345         |
|                | <u>46,418</u> | <u>74,046</u> |

# BTQ Limited (formerly Faithful Group Limited)

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2002

### 5 INTEREST PAYABLE AND SIMILAR CHARGES

|                           | 2002<br>£     | 2001<br>£     |
|---------------------------|---------------|---------------|
| Bank loans and overdrafts | 36,381        | 53,453        |
| Finance charges           | 3,732         | 12,000        |
|                           | <u>40,113</u> | <u>65,453</u> |

### 6 DIRECTORS' EMOLUMENTS

|  | 2002<br>£ | 2001<br>£ |
|--|-----------|-----------|
| Emoluments (excluding pension contributions)                           | 328,483   | 358,759   |
| Members of defined benefit pension schemes                             | 2         | 2         |
| <i>Amounts in respect of the highest paid director are as follows:</i> |           |           |
| Emoluments   | 127,838   | 129,053   |
| Accumulated accrued pension benefits                                   | 35,700    | 37,410    |

### 7 STAFF COSTS

|                       | 2002<br>£        | 2001<br>£        |
|-----------------------|------------------|------------------|
| Wages and salaries    | 7,409,470        | 7,743,082        |
| Social security costs | 1,119,015        | 1,274,521        |
| Other pension costs   | 346,555          | 347,715          |
|                       | <u>8,875,040</u> | <u>9,365,318</u> |

|   |            |            |
|---|------------|------------|
| The average number monthly of employees during the year was made up as follows: | 2002<br>No | 2001<br>No |
| Administration  | 115        | 120        |
| Production  | 571        | 624        |
|   | <u>686</u> | <u>744</u> |

# BTQ Limited (formerly Faithful Group Limited)

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2002

### 8. TAX ON PROFIT ON ORDINARY ACTIVITIES

| <i>Group</i>                                   | <i>2002</i><br>£ | <i>2001</i><br>£ |
|--|------------------|------------------|
| UK Corporation tax:                            |                  |                  |
| Current tax on income for the year             | 337,974          | 222,370          |
| Adjustment in respect of previous years        | (1,025)          | (2,948)          |
|  | <u>336,949</u>   | <u>219,422</u>   |
| Foreign tax:                                   |                  |                  |
| Current tax on income for the year             | 296,920          | 219,906          |
| Total current tax                              | <u>633,869</u>   | <u>439,328</u>   |
| Deferred tax:                                  |                  |                  |
| Origination and reversal of timing differences | (73,860)         | (55,534)         |
| Depreciation in excess of capital allowances   | (6,788)          | 22,637           |
| Adjustments in respect of previous years       | 483              | -                |
|  | <u>553,704</u>   | <u>406,431</u>   |

Factors affecting the tax charge for the year:

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:

|  | <i>2002</i><br>£ | <i>2001</i><br>£ |
|--|------------------|------------------|
| Profit on ordinary activities before tax   | <u>1,676,344</u> | <u>1,313,470</u> |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30.00% (2001:30.00%) | 502,904          | 394,042          |
| Effect of:   |                  |                  |
| Disallowed expenses and non-taxable income   | 124,888          | 47,324           |
| Depreciation in excess of capital allowances   | 13,470           | 15,692           |
| Short term timing differences  | 10,184           | (17,568)         |
| Adjustments in respect of previous years   | (1,025)          | (2,948)          |
| Other – exchange adjustments   | (16,552)         | (22,011)         |
| Exempt income not chargeable to tax  | -                | 18,888           |
| Tax differential on overseas earnings  | -                | 5,909            |
| Current tax charge for the year  | <u>633,869</u>   | <u>439,328</u>   |

# BTQ Limited (formerly Faithful Group Limited)

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2002

### 8. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

| Company  | 2002<br>£ | 2001<br>£ |
|--|-----------|-----------|
| UK corporation tax:                            |           |           |
| Current tax on income for the year             | -         | 7,851     |
| Group relief (recoverable)                     | (17,204)  | -         |
| Adjustments in respect of previous years       | (1,025)   | -         |
| Total current tax                              | (18,229)  | 7,851     |
| Deferred tax:                                  |           |           |
| Originating and reversal of timing differences | (6,098)   | 272       |
| Depreciation in excess of capital allowances   | (378)     | 3,450     |
|  | (6,476)   | 3,722     |
|  | (24,705)  | 11,573    |

Factors affecting the tax charge for the year:

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK. The difference are explained below:

|   | 2002<br>£ | 2001<br>£ |
|---|-----------|-----------|
| Profit on ordinary activities before tax  | 822,025   | 249,652   |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30.00% (2001: 30.00%) | 246,607   | 74,896    |
| Effect of:  |           |           |
| Disallowed expenses and non-taxable income  | 9,624     | -         |
| Depreciation in excess of capital allowances  | 378       | (272)     |
| Short term timing differences   | 113       | (3,450)   |
| Adjustments in respects of previous years   | (1,025)   | -         |
| Other – exchange adjustments  | (18,926)  | 419       |
| Exempt income not chargeable to tax   | (255,000) | (63,742)  |
| Current tax charge for the year   | (18,229)  | 7,851     |

### 9. DIVIDENDS

|                                      | 2002<br>£ | 2001<br>£ |
|--------------------------------------|-----------|-----------|
| Equity dividends on ordinary shares: |           |           |
| Interim paid 150p (2001:150p)        | 38,160    | 38,160    |
| Final proposed 325p (2001:650p)      | 82,680    | 165,360   |
|                                      | 120,840   | 203,520   |

# BTQ Limited (formerly Faithful Group Limited)

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2002

### 10 INTANGIBLE FIXED ASSETS

*Group*

|                          | <i>Goodwill</i><br>£ |
|--------------------------|----------------------|
| Cost:                    |                      |
| At 1 January 2002        | 1,338,363            |
| Additions (see note 12)  | 291,590              |
| At 31 December 2002      | 1,629,953            |
| Amortisation:            |                      |
| At 1 January 2002        | 102,631              |
| Provided during the year | 72,993               |
| At 31 December 2002      | 175,624              |
| Net book value:          |                      |
| At 31 December 2002      | 1,454,329            |
| At 1 January 2002        | 1,235,732            |

Goodwill is being written off in equal annual instalments over its estimated economic life of 20 years.

### 11 TANGIBLE FIXED ASSETS

*Group*

|                                    | <i>Freehold land<br/>and buildings</i><br>£ | <i>Plant,<br/>equipment<br/>and vehicles</i><br>£ | <i>Total</i><br>£ |
|------------------------------------|---|---|-------------------|
| Cost or valuation:                 |   |   |                   |
| At 1 January 2002                  | 3,145,254                                   | 6,158,395   | 9,303,649         |
| Exchange adjustments               | (50,887)                                    | (88,688)  | (139,575)         |
| Acquisitions                       | -   | 229,249   | 229,249           |
| Additions                          | 762,659                                     | 190,976   | 953,635           |
| Disposals                          | -   | (9,546)   | (9,546)           |
| Reclassification to current assets | (104,035)                                   | -   | (104,035)         |
| At 31 December 2002                | 3,752,991                                   | 6,480,386   | 10,233,377        |
| Depreciation:                      |   |   |                   |
| At 1 January 2002                  | 382,748                                     | 5,036,539   | 5,419,287         |
| Exchange adjustments               | (23,763)                                    | (67,351)  | (91,114)          |
| Acquisitions                       | -   | 198,576   | 198,576           |
| Charge for the year                | 101,608                                     | 386,777   | 488,385           |
| Disposals                          | -   | (9,356)   | (9,356)           |
| At 31 December 2002                | 460,593                                     | 5,545,185   | 6,005,778         |
| Net book value:                    |   |   |                   |
| At 31 December 2002                | 3,292,398                                   | 935,201   | 4,227,599         |
| At 1 January 2002                  | 2,762,506                                   | 1,121,856   | 3,884,362         |

The net book value of plant, equipment and vehicles above includes an amount of £ nil (2001 : £22,466) in respect of assets held under finance lease and hire purchase contracts.

# BTQ Limited (formerly Faithful Group Limited)

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2002

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

Where freehold land and buildings have been revalued, an analysis of cost or valuation:

|                   | 2002<br>£        | 2001<br>£        |
|-------------------|------------------|------------------|
| At cost           | 1,765,661        | 1,212,406        |
| At 2001 valuation | 1,100,000        | 1,100,000        |
| At 2002 valuation | 887,330          | 832,848          |
|                   | <u>3,752,991</u> | <u>3,145,254</u> |

On a historical cost basis, freehold land and buildings would have been included as follows:

|                          | 2002<br>£        | 2001<br>£        |
|--------------------------|------------------|------------------|
| Cost                     | 3,001,695        | 2,343,071        |
| Accumulated depreciation | (854,269)        | (773,293)        |
|                          | <u>2,147,426</u> | <u>1,569,778</u> |

Freehold land and buildings includes £642,627 (2001:£647,152) in respect of land.

#### *Company*

|                     | <i>Plant, equipment<br/>and vehicles</i><br>£ |
|---------------------|---|
| Cost or valuation:  |   |
| At 1 January 2002   | 11,944  |
| Additions           | -   |
| Disposals           | (1,299)                                       |
| At 31 December 2002 | <u>10,645</u>                                 |
| Depreciation:       |   |
| At 1 January 2002   | 3,181   |
| Charge for year     | 3,440   |
| Disposals           | (1,299)                                       |
| At 31 December 2002 | <u>5,322</u>                                  |
| Net book value:     |   |
| At 31 December 2002 | <u>5,323</u>                                  |
| At 1 January 2002   | <u>8,763</u>                                  |

# BTQ Limited (formerly Faithful Group Limited)

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2002

### 12 INVESTMENTS

#### Group

|                                   | Other<br>investments<br>£ | Subsidiary<br>undertakings<br>£ | Total<br>£ |
|-----------------------------------|---------------------------|---------------------------------|------------|
| Cost and net book value:          |                           |                                 |            |
| At 1 January and 31 December 2002 | 200,000                   | -                               | 200,000    |

#### Company

|                                   | Other<br>investments<br>£ | Subsidiary<br>undertakings<br>£ | Total<br>£ |
|-----------------------------------|---------------------------|---------------------------------|------------|
| Cost and net book value:          |                           |                                 |            |
| At 1 January and 31 December 2002 | 200,000                   | 3,461,865                       | 3,661,865  |

The group has shareholdings at 31 December 2002 in the following wholly owned subsidiary undertakings:

|   |   |                                     |
|---|---|-------------------------------------|
| Faithful Limited  |   | - registered in England and Wales   |
| Frederick Moffat Limited (non-trading)                    | * | - registered in England and Wales   |
| Turtons Limited   | * | - registered in England and Wales   |
| BTQ Holdings Limited (formerly) Faithful Holdings Limited |   | - registered in England and Wales   |
| Faithful GB Limited (non-trading)                         | * | - registered in England and Wales   |
| Bristol Uniforms Limited                                  |   | - registered in England and Wales   |
| Faithful Nederland BV                                     | * | - incorporated in Holland           |
| Wathen Gardiner Limited                                   |   | - incorporated in England and Wales |
| Faithful BV   | * | - incorporated in Holland           |
| Haen Kledingindustrie BV                                  | * |                                     |
| BTQ Inc (formerly Faithful Inc)                           |   | - incorporated in the USA           |
| Topps Safety Apparel Inc                                  |   | - incorporated in the USA           |
| Bristol Fire Apparel Inc                                  |   | - incorporated in the USA           |
| Quaker Safety Products Corporation                        |   | - incorporated in the USA           |
| Faithful Qualitext S.A.R.L.                               | * | - incorporated in Tunisia           |

\* Investment held by Faithful Limited directly or indirectly.

All subsidiaries are wholly owned.

Following the reorganisation on 17 December 2002 the investment in Faithful Nederland BV and its subsidiaries held by Faithful Holdings Limited was transferred to Faithful Limited for a consideration of new shares of £2,882,000. In addition the company's investment in Faithful Qualitext SA, its 6% investment in the preferred ordinary share capital of Rainbow Corporateware Limited and Faithful GB Limited was also transferred to Faithful Limited, in a share for share exchange.

The effective de merger of Faithful Limited and its subsidiaries from the BTQ Limited Group occurred on 1 January 2003.

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

On 1 October 2002 Faithful Limited acquired the entire issued shared capital of Turtons Limited for a consideration of £590,000. The investment in Turtons Limited has been included in the group's balance sheet at its fair value at the date of acquisition.

# BTQ Limited (formerly Faithful Group Limited)

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2002

### 12 INVESTMENTS (continued)

Analysis of the acquisition of Turtens Limited.

|   | <i>Book and<br/>Fair value<br/>£</i> |
|---|--------------------------------------|
| Net assets at date of acquisition:            |                                      |
| Tangible fixed assets                         | 30,673                               |
| Stocks  | 94,043                               |
| Debtors                                       | 249,725                              |
| Cash  | 103,396                              |
| Creditors due within one year                 | (167,724)                            |
| Net assets                                    | <u>310,113</u>                       |
| Discharged by:                                |                                      |
| Cash  | 590,000                              |
| Costs associated with acquisition             | 11,703                               |
|   | <u>601,703</u>                       |
| Goodwill arising on acquisition (see note 10) | <u>291,590</u>                       |

### 13 STOCKS

|                               | <i>2002<br/>£</i> | <i>2001<br/>£</i> |
|-------------------------------|-------------------|-------------------|
| <i>Group</i>                  |                   |                   |
| Raw materials and consumables | 2,583,905         | 2,519,729         |
| Work in progress              | 1,007,831         | 1,177,077         |
| Finished goods                | 3,981,225         | 4,137,249         |
|                               | <u>7,572,961</u>  | <u>7,834,055</u>  |

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

### 14 DEBTORS

|                                    | <i>2002<br/>£</i> | <i>2001<br/>£</i> |
|------------------------------------|-------------------|-------------------|
| <i>Group</i>                       |                   |                   |
| Trade debtors                      | 4,427,772         | 4,538,166         |
| Other debtors                      | 104,035           | -                 |
| Prepayments and accrued income     | 617,152           | 549,518           |
| Overseas tax                       | -                 | 79,044            |
| Deferred tax asset                 | 11,816            | -                 |
|                                    | <u>5,160,775</u>  | <u>5,166,728</u>  |
| <i>Company</i>                     |                   |                   |
| Amounts owed by group undertakings | 2,335,078         | 2,555,052         |
| Other debtors                      | 26,974            | 24,473            |
| Prepayments and accrued income     | 1,992             | 3,495             |
|                                    | <u>2,364,044</u>  | <u>2,583,020</u>  |

# BTQ Limited (formerly Faithful Group Limited)

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2002

### 15 CREDITORS: amounts falling due within one year

| <i>Group</i>  | <i>2002</i>      | <i>2001</i>      |
|---|------------------|------------------|
|   | <i>£</i>         | <i>£</i>         |
| Current instalment due on bank loan (note 17)                         | 124,231          | -                |
| Bank overdrafts   | 415,453          | 209,327          |
| Obligations under finance lease and hire purchase contracts (note 17) | -                | 2,883            |
| Trade creditors   | 1,688,535        | 1,384,248        |
| UK Corporation tax  | 231,997          | 192,178          |
| Overseas tax  | 18,862           | 75,845           |
| Other taxes and social security costs                                 | 543,397          | 592,569          |
| Pension scheme contributions  | 30,476           | 25,487           |
| Accruals and deferred income  | 1,216,642        | 955,810          |
| Proposal final dividend   | 82,680           | 165,360          |
|   | <u>4,352,273</u> | <u>3,603,707</u> |
| <i>Company</i>  | <i>2002</i>      | <i>2001</i>      |
|   | <i>£</i>         | <i>£</i>         |
| Amounts owed to group undertakings                                    | 77,657           | 457,046          |
| UK Corporation tax  | 2,647            | 8,876            |
| Accruals and deferred income  | 20,375           | 31,522           |
| Proposal final dividend   | 82,680           | 165,360          |
|   | <u>183,359</u>   | <u>662,804</u>   |

### 16 CREDITORS: amounts falling due after more than one year

| <i>Group</i>                 | <i>2002</i>    | <i>2001</i>   |
|------------------------------|----------------|---------------|
|                              | <i>£</i>       | <i>£</i>      |
| Bank loans (note 17)         | 144,935        | -             |
| Accruals and deferred income | 48,096         | 62,240        |
|                              | <u>193,031</u> | <u>62,240</u> |

### 17 BORROWINGS

| <i>Group</i>   | <i>2002</i>    | <i>2001</i> |
|--|----------------|-------------|
| <i>Loans</i>   | <i>£</i>       | <i>£</i>    |
| Wholly repayable within five years:                              |                |             |
| Bank loan of \$600,000   | 269,166        | -           |
| Less: included in creditors: amounts falling due within one year | 124,231        | -           |
|  | <u>144,935</u> | <u>-</u>    |

# BTQ Limited (formerly Faithful Group Limited)

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2002

### 17 BORROWINGS (continued)

|  | 2002           | 2001     |
|--|----------------|----------|
|  | £              | £        |
| Amounts repayable:                                 |                |          |
| In one year or less, or on demand                  | 124,231        | -        |
| In more than one year but no more than two years   | 144,935        | -        |
| In more than two years but no more than five years | -              | -        |
|  | <u>269,166</u> | <u>-</u> |

A bank overdraft of £62,210 is secured by the general assets of Quaker Safety Products Corporation.

Obligations under finance lease and hire purchase contracts

The maturity of these amounts is as follows:

|                      | 2002     | 2001         |
|----------------------|----------|--------------|
|                      | £        | £            |
| Amounts payable:     |          |              |
| Within one year      | -        | 2,883        |
| In two to five years | -        | -            |
|                      | <u>-</u> | <u>2,883</u> |

### 18 PROVISIONS FOR LIABILITIES AND CHARGES

Group

Deferred taxation

|  | 2002           | 2001           |
|--|----------------|----------------|
|  | £              | £              |
| At 1 January                               | 459,604        | 475,332        |
| Exchange adjustments                       | (40,587)       | 14,991         |
| Transfer from/(to) profit and loss account | (25,165)       | (30,719)       |
|  | <u>393,852</u> | <u>459,604</u> |
| Included in debtors                        | 11,816         | -              |
|  | <u>405,668</u> | <u>459,604</u> |

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

|  | 2002           | Provided       | Full potential liability |                |
|--|----------------|----------------|--------------------------|----------------|
|  | £              | 2001           | 2002                     | 2001           |
|  |                | £              | £                        | £              |
| Accelerated capital allowances         | 16,347         | 22,652         | 16,347                   | 22,652         |
| Short term timing differences          | (28,163)       | (10,045)       | (28,163)                 | (94,869)       |
| Overseas short term timing differences | 405,668        | 446,997        | 405,668                  | 446,997        |
| Revalued properties                    | -              | -              | 340,555                  | 331,618        |
|  | <u>393,852</u> | <u>459,604</u> | <u>734,407</u>           | <u>706,398</u> |

# BTQ Limited (formerly Faithful Group Limited)

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2002

### 18 PROVISIONS FOR LIABILITIES AND CHARGES *(continued)*

Deferred tax on the revalued properties is not provided since there is no intention to sell any of these properties in the foreseeable future and therefore no timing differences arise.

#### *Company*

|  |                       |
|--|-----------------------|
| Provision for deferred tax:                  | 2002<br>£             |
| At 1 January 2002                            | -                     |
| Provided during the year                     | (491)                 |
| Adjustment made in respect of previous years | (5,985)               |
| At 31 December 2002                          | (6,476)               |
| The deferred tax consists of:                | Provided<br>2002<br>£ |
| Accelerated capital allowances               | (363)                 |
| Other timing differences                     | (6,113)               |
| Net deferred tax asset                       | (6,476)               |

### 19 SHARE CAPITAL

|   |                    |
|---|--------------------|
|   | 2002 & 2001<br>£   |
| <i>Authorised</i>                         |                    |
| Ordinary shares of £1 each                | 50,000             |
|   |                    |
|   | 2002 & 2001<br>No. |
|   | 2002 & 2001<br>£   |
| <i>Allotted, called up and fully paid</i> |                    |
| Ordinary shares of £1 each                | 25,440             |
|   | 25,440             |

An extraordinary general meeting of the company was held on 17 December 2002 at which resolutions were adopted which sub-divided the ordinary shares of the company into 25,440 "A" shares and 25,440 "B" shares of £0.50 each.

# BTQ Limited (formerly Faithful Group Limited)

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2002

### 20 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

#### Group

|  | Share<br>capital<br>£ | Capital<br>reserve<br>£ | Revaluation<br>reserve<br>£ | Profit and<br>loss account<br>£ | Total<br>shareholders'<br>funds<br>£ |
|--|-----------------------|-------------------------|-----------------------------|---------------------------------|--------------------------------------|
| At 1 January 2001  | 25,440                | 225,702                 | 1,349,315                   | 13,308,176                      | 14,908,633                           |
| Profit for the year  | -                     | -                       | -                           | 907,039                         | 907,039                              |
| Dividend and other<br>appropriations                             | -                     | -                       | -                           | (203,520)                       | (203,520)                            |
| Transfer in respect of<br>depreciation on revalued<br>building   | -                     | -                       | (37,990)                    | 37,990                          | -                                    |
| Exchange adjustments   | -                     | -                       | (18,210)                    | 16,412                          | (1,798)                              |
| At 31 December 2001  | 25,440                | 225,702                 | 1,293,115                   | 14,066,097                      | 15,610,354                           |
| Profit for the year  | -                     | -                       | -                           | 1,122,640                       | 1,122,640                            |
| Dividend and other<br>appropriations                             | -                     | -                       | -                           | (120,840)                       | (120,840)                            |
| Exchange adjustments   | -                     | -                       | 42,516                      | (270,135)                       | (227,619)                            |
| Transfer in respects of<br>depreciation on<br>revalued buildings | -                     | -                       | (20,632)                    | 20,632                          | -                                    |
| At 31 December 2002  | 25,440                | 225,702                 | 1,314,999                   | 14,818,394                      | 16,384,535                           |

The cumulative amount of goodwill written off against reserves at 31 December 2002, net of goodwill relating to undertakings disposed of, is £513,635 (2001: £440,642).

#### Company

|                                      | Share<br>capital<br>£ | Profit and<br>loss account<br>£ | Total<br>shareholders'<br>funds<br>£ |
|--------------------------------------|-----------------------|---------------------------------|--------------------------------------|
| At 1 January 2001                    | 25,440                | 5,590,670                       | 5,616,110                            |
| Profit for the year                  | -                     | 241,801                         | 241,801                              |
| Dividend and other<br>appropriations | -                     | (203,520)                       | (203,520)                            |
| Exchange adjustments                 | -                     | 1,396                           | 1,396                                |
| At 31 December 2001                  | 25,440                | 5,630,347                       | 5,655,787                            |
| Profit for the year                  | -                     | 846,730                         | 846,730                              |
| Dividend and other<br>appropriations | -                     | (120,840)                       | (120,840)                            |
| Exchange adjustments                 | -                     | (63,087)                        | (63,087)                             |
| At 31 December 2002                  | 25,440                | 6,293,150                       | 6,318,590                            |

As permitted by section 230 of 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 £846,730.

# BTQ Limited (formerly Faithful Group Limited)

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2002

### 21 CASH FLOW STATEMENT

|   | 2002<br>£                    | 2001<br>£         |                         |                                |
|---|------------------------------|-------------------|-------------------------|--------------------------------|
| a) Reconciliation of operating profit to net cash inflow from operating activities. |                              |                   |                         |                                |
| Operating profit  | 1,670,039                    | 1,304,877         |                         |                                |
| Depreciation charges  | 488,385                      | 564,650           |                         |                                |
| Amortisation of goodwill  | 72,993                       | 53,557            |                         |                                |
| (Profit)/loss on sale of tangible fixed assets                                      | -                            | -                 |                         |                                |
| (Increase)/decrease in stocks   | 186,887                      | (314,279)         |                         |                                |
| Decrease in debtors   | 292,485                      | 322,445           |                         |                                |
| Decrease in creditors   | 339,068                      | (387,563)         |                         |                                |
| Exchange loss on cash, liquid resources and loans                                   | 14,943                       | -                 |                         |                                |
| Net cash inflow from operating activities   | 3,064,800                    | 1,543,687         |                         |                                |
|   | 2002<br>£                    | 2001<br>£         |                         |                                |
| b) Reconciliation of net cash flow to movement in net cash                          |                              |                   |                         |                                |
| (Decrease)/increase in cash   | 1,098,689                    | (1,848,640)       |                         |                                |
| Cash (outflow)/ inflow from movement in loans                                       | (269,166)                    | 375,459           |                         |                                |
| Repayment of capital element of finance leases and hire purchase contracts          | 2,883                        | 49,584            |                         |                                |
| Change in net cash resulting from cash flows  | 832,406                      | (1,423,597)       |                         |                                |
| Exchange differences  | -                            | 21,383            |                         |                                |
| MOVEMENT IN NET CASH  | 832,406                      | (1,402,214)       |                         |                                |
| NET CASH AT 1 JANUARY   | 1,202,820                    | 2,605,034         |                         |                                |
| NET CASH AT 31 DECEMBER   | 2,035,224                    | 1,202,820         |                         |                                |
| c) Analysis of net cash   |                              |                   |                         |                                |
|   | At<br>1 January<br>2002<br>£ | Cash<br>flow<br>£ | Exchange<br>differences | At<br>31 December<br>2002<br>£ |
| Cash at bank and in hand  | 1,415,028                    | 1,304,815         |                         | 2,719,843                      |
| Bank overdrafts   | (209,327)                    | (206,126)         | -                       | (415,453)                      |
|   | 1,205,701                    | 1,098,689         | -                       | 2,304,390                      |
| Cash  |                              |                   |                         |                                |
| Loans   | -                            | (269,166)         | -                       | (269,166)                      |
| Finance lease and hire purchase contracts   | (2,881)                      | 2,881             | -                       | -                              |
|   | 1,202,820                    | 832,406           | -                       | 2,035,224                      |

### 22 CAPITAL COMMITMENTS

Amount contracted for but not provided in the group financial statements amounted to £139,760 (2001: £10,484).

# BTQ Limited (formerly Faithful Group Limited)

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2002

### 23 OPERATING LEASE COMMITMENTS

At 31 December 2002 the group had annual commitments under non-cancellable operating leases set out below:

|                      | <i>Land and Buildings</i> |                |                | <i>Other</i>   |
|----------------------|---------------------------|----------------|----------------|----------------|
|                      | 2002                      | 2001           | 2002           | 2001           |
|                      | £                         | £              | £              | £              |
| Leases expiring:     |                           |                |                |                |
| Within one year      | 7,014                     | -              | 44,907         | 80,278         |
| In two to five years | 105,437                   | 124,782        | 110,707        | 121,173        |
| In over five years   | 42,017                    | 71,158         | -              | 1,052          |
|                      | <u>154,468</u>            | <u>195,940</u> | <u>155,614</u> | <u>202,503</u> |

### 24 PENSION SCHEMES

The group operates four pension schemes.

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, in which the subsidiary contributes an amount of 25% of the employees' contributions up to 5% of their compensation.

In the UK, the group operates a defined benefits pension scheme for employees who joined the scheme before April 2001. Entrants after April 2001 join a defined contribution pension scheme. The assets of the scheme are held separately from the assets of the group, being invested in managed funds. 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 group.

#### *SSAP 24 disclosures*

The pension costs are determined with the advice of independent qualified actuaries on the basis of triennial valuations using the projected unit method. The most recent valuation was conducted as at 5 April 2002. The results of the valuation are as follows:-

#### **Main assumptions:**

|   |            |
|---|------------|
| Price inflation   | 2.75%      |
| Rate of salary increases  | 4.25%      |
| Discount rate in period to retirement   | 6.75%      |
| Discount for post retirement liabilities  | 5.75%      |
| Pensions increases in payments of 5% per annum or RPI if less   | 2.75%      |
| Market value of scheme assets   | £4,766,000 |
| Level of funding being the actuarial value of assets expressed as a percentage of the benefits accruing to members, after allowing for expected future increase in earnings | 77%        |

#### *FRS 17 disclosures*

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation as at 5 April 2002 and updated by SBJ Benefit Consultants to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 December 2002. Scheme assets are stated at their market values at the respective balance sheet date.

|   | 2002 |
|---|------|
|   | %    |
| Main assumptions:                                     |      |
| Price inflation                                       | 2.25 |
| Salary increases                                      | 3.75 |
| Discount rate   | 5.50 |
| Pension increases on benefits earned after April 1997 | 2.25 |

# BTQ Limited (formerly Faithful Group Limited)

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2002

### 24 PENSION SCHEMES (continued)

The assets and liabilities of the scheme and the expected rate of return at 31 December are:

|                                     | Long-term<br>rate of return<br>expected<br>% | 2002<br>Value<br>£'000 | Long-term<br>rate of return<br>expected<br>% | 2001<br>Value<br>£'000 |
|-------------------------------------|--|------------------------|--|------------------------|
| Equities                            | 7.75   | 3,043                  | 7.00   | 3,711                  |
| Bonds                               | 4.75   | 648                    | 5.00   | 506                    |
| Other                               | 4.75   | 249                    | 4.50   | 433                    |
| Total market value of assets        |  | 3,940                  |  | 4,650                  |
| Present value of scheme liabilities |  | 7,222                  |  | 5,768                  |
| Net pension liability               |  | (3,282)                |  | (1,118)                |

An analysis of the defined benefit cost for the year ended 31 December 2002 is as follows:

|   | £'000   |
|---|---------|
| Current service cost  | (302)   |
| Total operating charge  | (302)   |
| Other finance costs: Expected return on pension scheme assets   | 306     |
| Other finance costs: Interest on pension scheme liabilities   | (348)   |
| Total other finance income  | (42)    |
| STRGL: Actual return less expected return on pension scheme assets  | (1,082) |
| STRGL: Experience losses arising on scheme liabilities  | (493)   |
| STRGL: Gain/(loss) arising from changes in assumptions underlying the present value of scheme liabilities | (552)   |
| Actuarial loss recognised in the statement of total recognised gains and losses                           | (2,127) |
| Analysis of movements in deficit during the period  |         |
|   | £'000   |
| At 1 January 2002   | (1,118) |
| Total operating charge  | (302)   |
| Total other finance income  | (42)    |
| Actuarial loss recognised in the statement of total recognised gains and losses                           | (2,127) |
| Contributions   | 307     |
| At 31 December 2002   | (3,282) |

# BTQ Limited (formerly Faithful Group Limited)

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2002

### 24 PENSION SCHEMES (continued)

History of experience gains and losses:

|   | 2002    |
|---|---------|
| Difference between expected return and actual return on pension scheme assets         |         |
| - amount (£'000)  | (1,082) |
| - % of scheme assets  | (27)    |
| Experience losses arising on scheme liabilities                                       |         |
| - amount (£'000)  | (493)   |
| - % of the present value of scheme liabilities  | (7)     |
| Changes in assumptions underlying the present value of the scheme liabilities         |         |
| - amount (£'000)  | (552)   |
| - % of the present value of the scheme liabilities                                    | (8)     |
| Total actuarial loss recognised in the statement of total recognised gains and losses |         |
| - amount (£'000)  | (2,127) |
| - % of the present value of scheme liabilities  | (29)    |

(b) Reconciliations of net assets and reserves under FRS 17

|  | 2002<br>£'000 |
|--|---------------|
| <i>Net assets</i>  |               |
| Net assets as stated in balance sheet                          | 16,379        |
| Net assets/(liabilities) excluding defined benefit liabilities | 16,379        |
| FRS 17 defined benefit liabilities                             | (3,282)       |
| Net assets including defined benefit liabilities               | 13,097        |

|   | 2002<br>£'000 |
|---|---------------|
| <i>Reserves</i>   |               |
| Profit and loss reserve as stated in balance sheet                                | 14,812        |
| Profit and loss reserve excluding amounts relating to defined benefit liabilities | 14,812        |
| FRS 17 defined benefit liabilities  | (3,282)       |
| Profit and loss reserve including amounts relating to defined benefit liabilities | 11,530        |

### 25 RELATED PARTIES

At 31 December 2002 an amount of £26,974 was owed to Faithful Group Limited by Rainbow Corporatewear Limited, a company in which the Group has a minority shareholding of 6% of the preferred ordinary share capital.