

# **Faithful Group Limited**

Report and Accounts

31 December 2001

*Registered Number: 1966114*



# Faithful Group Limited

## DIRECTORS' REPORT

The directors submit their report for the year ended 31 December 2001.

### DIRECTORS

S J Dorrell	(Joint Chairman)
A D Dorrell	(Joint Chairman)
P R Warr	(Managing Director)
Mrs C I Dorrell	
Mrs A C James	(appointed 13 July 2001)

Mrs P A W Dorrell resigned as a director on 13 July 2001.

Mrs C I Dorrell retires by rotation and, being eligible, offers herself for re election.

### RESULTS AND DIVIDENDS

The profit for the financial year amounts to £907,039 (2000: £964,861).

An interim dividend of 150p per share has been paid during the year. A final dividend of 650p per share is proposed, making a total for the year of 800p per share.

### 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.

### 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>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Number</i>
Mrs A C James	1,000	1,000	5,348	5,348
S J Dorrell	1,000	1,000	5,347	5,347
A D Dorrell	1,000	1,000	5,347	5,347
Mrs C I Dorrell	-	-	3,202	3,202
P R Warr	-	-	100	100

### 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.

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 £500 (2000: £nil) and various charitable donations totalling £5,066 (2000: £5,658).

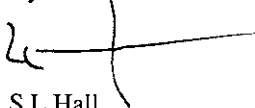
**CREDITOR PAYMENT POLICY**

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 32.

**AUDITORS**

A resolution to re-appoint Ernst & Young LLP as the company's auditor will be put to the forthcoming Annual General Meeting.

By order of the Board



S L Hall  
Secretary

20 June 2002

## 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 group and of the profit or loss of the group for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the accounts comply with the Companies Act. 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 FAITHFUL GROUP LIMITED**

We have audited the group's financial statements for the year ended 31 December 2001 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 27. These financial statements have been prepared on the basis of the accounting policies set out therein.

### **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 2001 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 2002

# Faithful Group Limited

## GROUP PROFIT AND LOSS ACCOUNT for the year ended 31 December 2001

	Note	2001 £	2000 £
<b>TURNOVER</b>			
Continuing operations:			
Ongoing		26,933,840	26,553,655
Acquisitions			
- Haen Kledingindustrie BV		1,439,091	-
- Quaker Safety Products Corp		1,893,096	-
Operating costs	2	30,266,027	26,553,655
	3	28,961,150	25,099,330
<b>OPERATING PROFIT</b>			
Continuing operations:			
Ongoing		1,181,570	1,454,325
Acquisitions			
- Haen Kledingindustrie BV		9,286	-
- Quaker Safety Products Corp		114,021	-
<b>GROUP OPERATING PROFIT</b>		1,304,877	1,454,325
Interest receivable	4	74,046	92,144
Interest payable	5	(65,453)	(77,811)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		1,313,470	1,468,658
Tax on profit on ordinary activities	8	406,431	503,797
<b>PROFIT FOR THE FINANCIAL YEAR</b>		907,039	964,861
Dividends	9	203,520	216,240
<b>RETAINED PROFIT FOR THE FINANCIAL YEAR</b>	21	703,519	748,621

# Faithful Group Limited

## GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2001

	<i>Note</i>	<i>2001</i> £	<i>2000</i> £
Profit for the financial year		907,039	964,861
Exchange adjustments		(1,798)	271,184
Unrealised surplus on revaluation of freehold land and buildings		-	701,734
Total recognised gains and losses relating to the year	22	<u>905,241</u>	<u>1,937,779</u>

### NOTE OF HISTORICAL COST PROFITS AND LOSSES

	<i>2001</i> £	<i>2000</i> £
Reported profit on ordinary activities before taxation	1,313,470	1,468,658
Difference between historical cost depreciation charge and the actual charge calculated on the revalued amount	37,990	-
Realisation of property revaluation gains of previous years	-	103,233
Historical cost profit on ordinary activities before taxation	<u>1,351,460</u>	<u>1,571,891</u>
Historical cost profit for the year retained after taxation and dividends	<u>741,509</u>	<u>851,854</u>

# Faithful Group Limited

## GROUP BALANCE SHEET at 31 December 2001

	Note	2001 £	2000 £
<b>FIXED ASSETS</b>			
Tangible assets	10	3,884,362	4,045,473
Intangible assets	11	1,235,732	539,805
Investments	12	200,000	-
		<u>5,320,094</u>	<u>4,585,278</u>
<b>CURRENT ASSETS</b>			
Stocks	13	7,834,055	6,715,140
Debtors	14	5,166,728	4,817,756
Cash at bank and in hand	23	1,415,028	3,106,008
		<u>14,415,811</u>	<u>14,638,904</u>
<b>CREDITORS: amounts falling due within one year</b>	15	3,603,707	3,570,360
<b>NET CURRENT ASSETS</b>		<u>10,812,104</u>	<u>11,068,544</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>16,132,198</u>	<u>15,653,822</u>
<b>CREDITORS: amounts falling due after more than one year</b>	16	62,240	269,857
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	18	459,604	475,332
		<u>15,610,354</u>	<u>14,908,633</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	19	25,440	25,440
Capital reserve	20	225,702	225,702
Revaluation reserves	20	1,293,115	1,349,315
Profit and loss account	21	14,066,097	13,308,176
<b>EQUITY SHAREHOLDERS' FUNDS</b>	22	<u>15,610,354</u>	<u>14,908,633</u>

S J Dorrell  
Director

P R Warr  
Director

20 June 2002



# Faithful Group Limited

## COMPANY BALANCE SHEET at 31 December 2001

	Note	2001 £	2000 £
<b>FIXED ASSETS</b>			
Tangible assets	10	8,763	1,039
Investments	12	3,661,865	3,448,954
		<u>3,670,628</u>	<u>3,449,993</u>
<b>CURRENT ASSETS</b>			
Debtors	14	2,583,020	2,036,828
Cash at bank and in hand		64,943	400,467
		<u>2,647,963</u>	<u>2,437,295</u>
<b>CREDITORS: amounts falling due within one year</b>	15	662,804	271,178
<b>NET CURRENT ASSETS</b>		<u>1,985,159</u>	<u>2,166,117</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>5,655,787</u>	<u>5,616,110</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	19	25,440	25,440
Profit and loss account	21	5,630,347	5,590,670
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>5,655,787</u>	<u>5,616,110</u>

S J Dorrell  
Director

P R Warr  
Director

20 June 2002

# Faithful Group Limited

## GROUP CASH FLOW STATEMENT for the year ended 31 December 2001

	Notes	2001 £	2000 £
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	23	1,543,687	2,762,531
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received		74,046	92,144
Interest paid		(65,453)	(77,811)
<b>NET CASH INFLOW/ (OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		8,593	14,333
<b>TAXATION</b>			
Corporation tax paid		(286,282)	(620,566)
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>			
Payments to acquire tangible fixed assets		(352,323)	(410,236)
Receipts from sale of tangible fixed assets		4,923	150,456
Payments to acquire investments		(200,000)	-
		(547,400)	(259,780)
<b>ACQUISITIONS</b>			
Purchase of subsidiary undertakings		(1,862,764)	-
Net overdraft acquired with subsidiary undertakings		(63,191)	-
		(1,925,955)	-
<b>EQUITY DIVIDENDS PAID</b>		(216,240)	(127,200)
<b>FINANCING</b>			
Repayment of capital element of finance lease and hire purchase contracts		(49,584)	(66,129)
Cash (outflow)/ inflow from borrowings		(375,459)	(435,751)
		(425,043)	(501,880)
<b>(DECREASE)/INCREASE IN CASH</b>	23	(1,848,640)	1,267,438

NOTES TO THE ACCOUNTS

at 31 December 2001

1 ACCOUNTING POLICIES

*Basis of preparation*

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 2001.

*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*

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 year end rate of exchange. 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, 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 2001

### 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:

	2001	2000
	£	£
United Kingdom	11,046,913	11,814,839
Overseas	19,219,114	14,738,816
	<u>30,266,027</u>	<u>26,553,655</u>

# Faithful Group Limited

## NOTES TO THE ACCOUNTS

at 31 December 2001

### 3 OPERATING COSTS

	2001 £	2000 £
(Increase)/decrease in stocks of finished goods and work in progress	(379,917)	223,166
Raw materials and consumables	15,669,080	13,010,596
Staff costs	9,365,318	8,317,107
Depreciation of owned assets	559,034	495,574
Depreciation of assets held under finance lease and hire purchase contracts	5,616	53,752
Amortisation of goodwill	53,557	29,444
Other external charges	3,688,462	2,969,691
	<u>28,961,150</u>	<u>25,099,330</u>

The figures for continuing operations in 2001 include the following amounts relating to the acquisitions in the year.

	Haen Kledingindustrie BV £	Quaker Safety Products Corp £
Change in stocks of finished goods and work in progress	22,586	(48,186)
Raw materials and consumables	916,025	1,001,541
Staff costs	197,291	360,786
Depreciation	17,909	5,371
Other external charges	275,994	459,563
	<u>1,429,805</u>	<u>1,779,075</u>

Included in the total operating costs above are:

	2001 £	2000 £
Operating lease rentals - plant and equipment	249,227	199,872
- land and buildings	148,571	124,353
Auditors' remuneration - audit services	78,902	72,657
- non-audit services	36,874	19,545
	<u></u>	<u></u>

Included in auditors remuneration are audit fees paid to the group auditors, Ernst & Young, of £15,500 together with non audit fees of £12,599.

# Faithful Group Limited

## NOTES TO THE ACCOUNTS at 31 December 2001

### 4 INTEREST RECEIVABLE

	2001 £	2000 £
Bank interest	64,701	92,144
Other interest	9,345	-
	<u>74,046</u>	<u>92,144</u>

### 5 INTEREST PAYABLE

	2001 £	2000 £
Bank overdrafts and loans	53,453	60,494
Finance charges	12,000	17,317
	<u>65,453</u>	<u>77,811</u>

### 6 DIRECTORS' EMOLUMENTS

	2001 £	2000 £
Emoluments (excluding pension contributions)	<u>358,759</u>	<u>341,721</u>
Members of defined benefit pension schemes	<u>2</u>	<u>3</u>

*Amounts in respect of the highest paid director are as follows:*

Emoluments	<u>129,053</u>	<u>118,011</u>
Accumulated accrued pension benefits	<u>37,410</u>	<u>33,214</u>

### 7 STAFF COSTS AND NUMBERS

	2001 £	2000 £
Wages and salaries	7,743,082	7,140,106
Social security costs	1,274,521	883,188
Other pension costs	347,715	293,813
	<u>9,365,318</u>	<u>8,317,107</u>

The average number of employees during the year was 744 (2000 - 717).

# Faithful Group Limited

## NOTES TO THE ACCOUNTS

at 31 December 2001

### 8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001 £	2000 £
UK Corporation tax		
Based on the profit for the year	222,370	193,887
Adjustment in respect of prior years	(2,948)	(1,464)
	<u>219,422</u>	<u>192,423</u>
Deferred tax	12,607	-
Overseas current tax	219,906	252,369
Overseas deferred tax	(45,504)	59,005
	<u>406,431</u>	<u>503,797</u>

### 9. DIVIDENDS

	2001 £	2000 £
Interim paid of 150p per share (2000 - 150p)	38,160	38,160
Proposed final of 650 p per share (2000 - 700p)	165,360	178,080
	<u>203,520</u>	<u>216,240</u>

### 10. TANGIBLE FIXED ASSETS

Group

	Freehold land and buildings £	Plant, equipment and vehicles £	Total £
Cost or valuation:			
At 1 January 2001	3,043,333	6,136,542	9,179,875
Exchange adjustments	(8,222)	9,166	944
Acquisitions	1,278	86,534	87,812
Additions	108,865	243,458	352,323
Disposals	-	(317,305)	(317,305)
At 31 December 2001	<u>3,145,254</u>	<u>6,158,395</u>	<u>9,303,649</u>
Depreciation:			
At 1 January 2001	282,848	4,851,554	5,134,402
Exchange adjustments	5,418	3,716	9,134
Acquisitions	-	23,483	23,483
Charge for the year	94,482	470,168	564,650
Disposals	-	(312,382)	(312,382)
At 31 December 2001	<u>382,748</u>	<u>5,036,539</u>	<u>5,419,287</u>
Net book value:			
At 31 December 2001	<u>2,762,506</u>	<u>1,121,856</u>	<u>3,884,362</u>
At 1 January 2001	<u>2,760,485</u>	<u>1,284,988</u>	<u>4,045,473</u>

## NOTES TO THE ACCOUNTS

at 31 December 2001

**10 TANGIBLE FIXED ASSETS (CONTINUED)**

The net book value of plant, equipment and vehicles above includes an amount of £22,466 (2000 : £102,721) in respect of assets held under finance lease and hire purchase contracts.

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

	2001	2000
	£	£
At cost	1,212,406	1,087,755
At 2000 valuation	1,100,000	1,100,000
At 2001 valuation	832,848	855,578
	<u>3,145,254</u>	<u>3,043,333</u>

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

	2001	2000
	£	£
Cost	2,343,071	2,232,928
Accumulated depreciation	(773,293)	(716,801)
	<u>1,569,778</u>	<u>1,516,127</u>

Freehold land and buildings includes £647,152 (2000 - £645,940) in respect of land.

*Company*

	<i>Plant, equipment and vehicles</i>
	£
Cost or valuation:	
At 1 January 2001	13,499
Additions	10,645
Disposals	(12,200)
At 31 December 2001	<u>11,944</u>
Depreciation:	
At 1 January 2001	12,460
Charge for year	2,921
Disposals	(12,200)
At 31 December 2001	<u>3,181</u>
Net book value:	
At 31 December 2001	<u>8,763</u>
At 1 January 2001	<u>1,039</u>



## Faithful Group Limited

### NOTES TO THE ACCOUNTS

at 31 December 2001

#### 11 INTANGIBLE FIXED ASSETS

##### *Group*

	<i>Goodwill</i> £
Cost:	
At 1 January 2001	588,879
Additions	749,484
	<hr/>
At 31 December 2001	1,338,363
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Amortisation:	
At 1 January 2001	49,074
Charge for the year	53,557
	<hr/>
At 31 December 2001	102,631
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Net book value:	
At 31 December 2001	1,235,372
	<hr/>
At 1 January 2001	539,805
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Goodwill is being written off over its estimated economic life of 20 years.

# Faithful Group Limited

## NOTES TO THE ACCOUNTS

at 31 December 2001

### 12 INVESTMENTS

#### Company

	Other investments	Subsidiary undertakings
	£	£
Cost and net book value:		
At 1 January	-	3,448,954
Additions	200,000	1,291
At 31 December 2001	200,000	3,461,865

#### Group

Subsidiary undertakings	Other investments	Subsidiary undertakings
	£	£
Cost and net book value:		
Additions and at 31 December 2001	200,000	-

The group has shareholdings at 31 December 2001 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
Bristol Uniforms Limited	- registered in England and Wales
Faithful Nederland BV	- incorporated in Holland
Faithful BV	- incorporated in Holland
Haen Kledingindustrie BV (formerly Liemco Beroepskleding BV)	- incorporated in Holland
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

All subsidiaries are wholly owned.

At 31 December 2001 the investment in Faithful BV and Haen Kledingindustrie 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, Bristol Fire Apparel Inc and Quaker Safety Products Corporation were 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.

During the year the group and company acquired a minority shareholdings of 6% of the preferred ordinary share capital of Rainbow Corporatewear Limited.

# Faithful Group Limited

## NOTES TO THE ACCOUNTS

at 31 December 2001

### 12 INVESTMENTS (continued)

On 6 April 2001 the group acquired the trade, assets and liabilities of Haen Kledingindustrie BV for a consideration of £601,361.

Analysis of the acquisition of Haen Kledingindustrie BV.

	<i>Book Value</i>	<i>Revaluation</i>	<i>Fair value to the Group</i>
	£	£	£
Net assets at date of acquisition:			
Fixed assets	79,484	(39,934)	39,550
Stocks	268,682	(24,785)	243,897
Debtors	185,300		185,300
Cash	13,162		13,162
Creditors	(137,920)		(137,920)
Net assets	408,708	(64,719)	343,989
Discharged by:			
Cash		601,361	
Costs associated with acquisition		12,911	
			614,272
Goodwill arising on acquisition			270,283

On 31 May 2001 the group acquired the trade, assets and liabilities of Quaker Safety Products Corporation for a consideration of £1,168,209.

Analysis of the acquisition of Quaker Safety Products Corporation.

	<i>Book and fair value to the Group</i>
	£
Net assets at date of acquisition:	
Fixed assets	24,779
Stocks	560,739
Debtors	479,933
Cash	23,881
Creditors	(219,807)
Overdraft	(100,234)
	769,291
Discharged by:	
Cash	1,168,209
Costs associated with acquisition	80,283
	1,248,492
Goodwill	479,201

Goodwill arising on acquisitions has been accounted for in accordance with Note 1.

# Faithful Group Limited

## NOTES TO THE ACCOUNTS at 31 December 2001

### 13 STOCKS

	2001	2000
	£	£
<i>Group</i>		
Raw materials	2,509,770	2,076,501
Work in progress	1,177,077	883,911
Finished goods	4,137,249	3,745,064
Other	9,959	9,664
	<u>7,834,055</u>	<u>6,715,140</u>

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

### 14 DEBTORS

<i>Group</i>	2001	2000
	£	£
Trade debtors	4,538,166	4,302,163
Overseas tax	79,044	102,684
Other debtors	-	99,725
Prepayments and accrued income	549,518	313,184
	<u>5,166,728</u>	<u>4,817,756</u>
<i>Company</i>		
Amounts due from subsidiary undertakings	2,555,052	2,034,627
Other debtors	24,473	-
Prepayments and accrued income	3,495	2,201
	<u>2,583,020</u>	<u>2,036,828</u>

# Faithful Group Limited

## NOTES TO THE ACCOUNTS

at 31 December 2001

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

<i>Group</i>	<i>2001</i>	<i>2000</i>
	<i>£</i>	<i>£</i>
Bank overdraft (note 17)	209,327	73,050
Bank loans (note 17)	-	47,576
Other loans (note 17)	-	161,363
Trade creditors	1,384,248	1,499,799
Accruals and deferred income	955,810	986,580
Other taxes and social security costs	592,569	399,742
UK Corporation tax	192,178	110,971
Overseas tax	75,845	-
Dividends	165,360	178,080
Pension scheme contributions	25,487	67,660
Obligations under finance lease and hire purchase contracts (note 17)	2,883	45,539
	<u>3,603,707</u>	<u>3,570,360</u>

#### *Company*

	<i>2001</i>	<i>2000</i>
	<i>£</i>	<i>£</i>
Amounts due to subsidiary undertakings	457,046	49,822
UK Corporation tax	8,876	12,500
Dividends	165,360	178,080
Accruals and deferred income	31,522	30,776
	<u>662,804</u>	<u>271,178</u>

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

<i>Group</i>	<i>2001</i>	<i>2000</i>
	<i>£</i>	<i>£</i>
Bank loans (note 17)	-	166,520
Obligations under finance lease and hire purchase contracts (note 17)	-	6,928
Accruals and deferred income	62,240	96,409
	<u>62,240</u>	<u>269,857</u>

# Faithful Group Limited

## NOTES TO THE ACCOUNTS

at 31 December 2001

### 17 BORROWINGS

*Group*

**Loans**

	2001 £	2000 £
Repayable on demand	-	161,363
Bank loan wholly repayable within five years in quarterly instalments of £11,894	-	214,096
	-	375,459
Less: included in creditors : amounts falling due within one year	-	(208,939)
	-	166,520

	2001 £	2000 £
Amounts repayable:		
In one year or less or on demand	-	208,939
In more than one year but not more than two years	-	47,576
In more than two years but not more than five years	-	118,944
	-	375,459

#### Obligations under finance lease and hire purchase contracts

	2001 £	2000 £
Amounts payable:		
Within one year	2,883	45,539
In two to five years	-	6,928
	2,883	52,467

A bank overdraft of £174,972 is secured by a fixed and floating charge over the assets of Bristol Uniforms Limited, and a bank overdraft of £24,355 is secured by the general assets of Quaker Safety Products Corporation.

# Faithful Group Limited

## NOTES TO THE ACCOUNTS

at 31 December 2001

### 18 PROVISIONS FOR LIABILITIES AND CHARGES

*Group*

Deferred taxation

	2001 £	2000 £
At 1 January	475,332	385,781
Exchange adjustments	14,991	30,546
Transfer from/(to) profit and loss account	(30,719)	59,005
At 31 December	<u>459,604</u>	<u>475,332</u>

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

	2001 £	Provided 2000 £	Full potential liability 2001 £	2000 £
Accelerated capital allowances	22,652	-	22,652	66,057
Short term timing differences	(10,045)	-	(94,869)	(60,351)
Overseas short term timing differences	446,997	475,332	446,997	475,332
Revalued properties	-	-	331,618	-
	<u>459,604</u>	<u>475,332</u>	<u>706,398</u>	<u>481,038</u>

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.

### 19 CALLED UP SHARE CAPITAL

	Authorised 2001 & 2000 £
Ordinary shares of £1 each	<u>50,000</u>

	Allotted, called up and fully paid 2001 & 2000 £
Ordinary shares of £1 each	<u>25,440</u>

# Faithful Group Limited

## NOTES TO THE ACCOUNTS at 31 December 2001

### 20 RESERVES

#### Group

	<i>Capital</i>	<i>Revaluation</i>
	£	£
At 1 January 2001	225,702	1,349,315
Exchange adjustments	-	(18,210)
Transfer to profit and loss account	-	(37,990)
At 31 December 2001	<u>225,702</u>	<u>1,293,115</u>

### 21 PROFIT AND LOSS ACCOUNT

	<i>Company</i>	<i>Group</i>
	£	£
At 1 January 2001	5,590,670	13,308,176
Exchange adjustments	1,396	16,412
Retained profit for the year	38,281	703,519
Transfer from revaluation reserve	-	37,990
At 31 December 2001	<u>5,630,347</u>	<u>14,066,097</u>

As permitted by Section 230 of the Companies Act 1985 the profit and loss account of the parent company is not presented as part of these accounts. The profit on ordinary activities for the financial year dealt with in the accounts of the company amounted to £241,801 (2000: profit £117,336).

The cumulative amount of goodwill written off against reserves at 31 December 2001, net of goodwill relating to undertakings disposed of, is £440,642 (2000: £377,055).

### 22 RECONCILIATION OF SHAREHOLDERS' FUNDS

	<i>2001</i>	<i>2000</i>
	£	£
Total recognised gains and losses	905,241	1,937,779
Dividends	(203,520)	(216,240)
Total movements during the year	<u>701,721</u>	<u>1,721,539</u>
Shareholders' funds at 1 January	14,908,633	13,187,094
Shareholders' funds at 31 December	<u>15,610,354</u>	<u>14,908,633</u>



# Faithful Group Limited

## NOTES TO THE ACCOUNTS

at 31 December 2001

### 23 CASH FLOW STATEMENT

	2001 £	2000 £
a) Reconciliation of operating profit to net cash inflow from operating activities.		
Operating profit	1,304,877	1,454,325
Depreciation charges	564,650	549,326
Amortisation of goodwill	53,557	29,444
(Profit)/loss on sale of tangible fixed assets	-	(38,135)
(Increase)/decrease in stocks	(314,279)	319,565
Decrease in debtors	322,445	556,229
Decrease in creditors	(387,563)	(108,223)
	<u>1,543,687</u>	<u>2,762,531</u>

#### b) Reconciliation of net cash flow to movement in net cash

	2001 £	2000 £
(Decrease)/increase in cash	(1,848,640)	1,267,438
Cash inflow from movement in loans	375,459	435,751
Repayment of capital element of finance lease and hire purchase contracts	49,584	66,129
Change in net cash resulting from cash flows	<u>(1,423,597)</u>	<u>1,769,318</u>
Exchange differences	21,383	50,365
<b>MOVEMENT IN NET CASH</b>	<u>(1,402,214)</u>	<u>1,819,683</u>
<b>NET CASH AT 1 JANUARY</b>	<u>2,605,034</u>	<u>785,351</u>
<b>NET CASH AT 31 DECEMBER</b>	<u>1,202,820</u>	<u>2,605,034</u>

#### c) Analysis of net cash

	At 1 January 2001 £	Cash flow £	Exchange differences	At 31 December 2001 £
Cash at bank and in hand	3,106,008	(1,712,363)	21,383	1,415,028
Bank overdrafts	(73,050)	(136,277)	-	(209,327)
	<u>3,032,958</u>	<u>(1,848,640)</u>	<u>21,383</u>	<u>1,205,701</u>
Loans	(375,459)	375,459	-	-
Finance lease and hire purchase contracts	(52,465)	49,584	-	(2,881)
	<u>2,605,034</u>	<u>(1,423,597)</u>	<u>21,383</u>	<u>1,202,820</u>

# Faithful Group Limited

## NOTES TO THE ACCOUNTS

at 31 December 2001

### 24 CAPITAL COMMITMENTS

	2001 £	2000 £
Contracted	10,484	-

### 25 LEASING COMMITMENTS

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

	<i>Land and Buildings</i>		<i>Other</i>	
	2001	2000	2001	2000
	£	£	£	£
Leases expiring:				
Within one year	-	-	80,278	66,525
Within two to five years	124,782	82,339	121,173	98,190
Thereafter	71,158	71,093	1,052	20,275
	<u>195,940</u>	<u>153,432</u>	<u>202,503</u>	<u>184,990</u>

### 26 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 scheme that is now closed to further entrants. New employees join a new defined contribution section. The assets of the Scheme are held separately from the assets of the group, being invested in managed funds. Contributions to the defined benefits section are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group.

Contributions are determined by an independent qualified actuary on the basis of triennial valuations using the Projected Unit method. At 5 April 2000, the latest valuation date, the actuarial valuation of the scheme's assets was 89% of the value of the benefits accrued to members after allowing the future increases in earnings. The market value of the scheme's assets at the valuation date was £5,370,000.

The following assumptions were adopted for the valuation:

Investment return	8.0 pa
Salary increases	6.0 pa
Dividend growth	4.75% pa

The pensions charge during the year ended 31 December 2001 amounted to £188,734.

Under transitional arrangements relating to the introduction of FRS 17 the company is required to disclose the following information about the Scheme and the figures that would have been shown under FRS 17 in the current balance sheet.

# Faithful Group Limited

## NOTES TO THE ACCOUNTS

at 31 December 2001

### 26 PENSION SCHEMES (continued)

The figures at 5 April 2000 have been updated to reflect the requirements of FRS17 as at 31 December 2001 by an independent qualified actuary using the following major assumptions:

Price inflation	2.50% pa
Salary increases	4.00% pa
Discount rate	6.00% pa
Pension increases in payment of RPI subject to a cap of 5% pa	2.50% pa

The assets in the scheme and the expected rates of return were:

	<i>Expected long term return on assets</i>	<i>At 31 December 2001 Valuation £000</i>
Equities	7.00% pa	3,711
Bonds	5.00% pa	506
Other	4.50% pa	433
Total market value of assets		4,650
Present value of Scheme liabilities		(5,768)
Net pension liability		(1,118)
Related deferred tax asset		335
		(783)

If the above pension liability was recognised in the financial statements the group's profit and loss reserve would be as follows:

	<i>2001 £</i>
Profit and loss reserve as reported	14,073,498
FRS17 pension scheme deficit	(783,000)
FRS17 adjusted profit and loss reserve	13,290,948

### 27 RELATED PARTIES

During the year, the Group charged management fees of £15,000 to Rainbow Corporatewear Limited, a company in which the Group has a minority shareholding of 6% of the preferred ordinary share capital. The Group also received interest of £6,443 from Rainbow Corporatewear Limited. At 31 December 2001 an amount of £24,473 was owed to Faithful Group Limited.