

Faithful Group Limited

Report and Accounts

31 December 1997

Registered Number: 1966114



Faithful Group Limited

DIRECTORS' REPORT

The directors submit their report for the year ended 31 December 1997.

DIRECTORS

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

Mr S J Dorrell was appointed a director on 1 October 1997. In accordance with the Articles of Association he now retires and, being eligible, offers himself for re-election.

Mrs P A W Dorrell retires by rotation and, being eligible, offers herself for re-election.

ACCOUNTS AND DIVIDENDS

The profit for the financial year amounts to £1,327,521 (1996: £1,023,618) and after dividends is dealt with as shown in the consolidated profit and loss account..

An interim dividend of 125p per share has been declared during the year. A final dividend of 375p per share is proposed, making a total for the year of 500p per share.

ACTIVITIES AND REVIEW OF BUSINESS DEVELOPMENTS

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

The company acquired the whole of the issued share capital of Edmonton Manufacturing Co on 7 January 1997, and of Qualitext S.A.R.L. on 3 September 1997. The companies manufacture and supply garments for people at work from their respective factories in the USA and Tunisia.

FIXED ASSETS

Changes in tangible fixed assets are disclosed in note 11.

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>1997</i>	<i>1996</i>	<i>1997</i>	<i>1996</i>
	<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Number</i>
Mrs C I Dorrell	-	-	3,202	6,202
P R Warr	-	-	100	100
A D Dorrell	1,000	-	5,347	5,347
S J Dorrell	1,000	-	5,347	5,347

DISABLED PERSONS

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

Faithful Group Limited

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 (1996 : Nil) and various charitable donations totalling £4,329 (1996: £2,497).


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 company and its suppliers, provided that all trading terms and conditions have been complied with.

AUDITORS

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

By order of the Board



S L Hall
Secretary

28 May 1998

Faithful Group Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS to the members of Faithful Group Limited

We have audited the accounts on pages 5 to 23 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and on the basis of the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

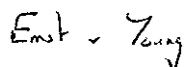
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 31 December 1997 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young
Chartered Accountants
Registered Auditor
Birmingham

28 May 1998

Faithful Group Limited

GROUP PROFIT AND LOSS ACCOUNT for the year ended 31 December 1997

	Note	1997 £	1996 £
TURNOVER - continuing	2	15,819,589	16,858,139
- acquired in the year		9,791,447	-
		<u>25,611,036</u>	<u>16,858,139</u>
Operating costs	3	23,697,905	15,419,805
		<u>1,276,999</u>	<u>1,438,334</u>
OPERATING PROFIT - continuing		636,132	-
- acquired in the year		<u>1,913,131</u>	<u>1,438,334</u>
Interest receivable	4	84,799	110,783
Interest payable	5	(112,398)	(1,784)
Other finance costs	6	-	(112,808)
		<u>(27,599)</u>	<u>(3,809)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>1,885,532</u>	<u>1,434,525</u>
Tax on profit on ordinary activities	9	558,011	410,907
		<u>1,327,521</u>	<u>1,023,618</u>
PROFIT FOR THE FINANCIAL YEAR		<u>127,200</u>	<u>108,120</u>
Dividends	10		
RETAINED PROFIT FOR THE FINANCIAL YEAR	20	<u>1,200,321</u>	<u>915,498</u>

Movement in reserves are set out in notes 19 and 20.

Faithful Group Limited

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 1997

	<i>Note</i>	<i>1997</i> £	<i>1996</i> £
Profit for the financial year		1,327,521	1,023,618
Exchange adjustments		(176,952)	(409,503)
Total recognised gains and losses relating to the year	21	<u>1,150,569</u>	<u>614,115</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	<i>1997</i> £	<i>1996</i> £
Reported profit on ordinary activities before taxation	1,885,532	1,434,525
Realisation of property revaluation gains of previous years	7,427	7,427
Historical cost profit on ordinary activities before taxation	<u>1,892,959</u>	<u>1,441,952</u>
Historical cost profit for the year retained after taxation and dividends	<u>1,207,748</u>	<u>922,925</u>

Faithful Group Limited

GROUP BALANCE SHEET at 31 December 1997

	Note	1997 £	1996 £
FIXED ASSETS			
Tangible assets	11	3,043,570	2,312,599
CURRENT ASSETS			
Stocks	13	5,831,771	3,441,688
Debtors	14	4,099,205	2,841,560
Cash at bank and in hand	22	2,253,055	3,494,267
		<u>12,184,031</u>	<u>9,777,515</u>
CREDITORS - amounts falling due within one year			
Bank overdrafts	22	666,034	-
Trade and other creditors	15	2,453,290	1,939,473
Corporation tax		371,151	277,670
Dividends		95,400	76,320
		<u>3,585,875</u>	<u>2,293,463</u>
NET CURRENT ASSETS		<u>8,598,156</u>	<u>7,484,052</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>11,641,726</u>	<u>9,796,651</u>
CREDITORS - amounts falling due after more than one year	16	172,260	88,707
PROVISION FOR LIABILITIES AND CHARGES	17	621,114	12,575
		<u>10,848,352</u>	<u>9,695,369</u>
CAPITAL AND RESERVES			
Called up share capital	18	25,440	25,440
Capital reserve	19	225,702	-
Revaluation reserves	19	533,065	540,492
Profit and loss account	20	10,064,145	9,129,437
Equity shareholders' funds	21	<u>10,848,352</u>	<u>9,695,369</u>

C I Dorrell



) Directors

P R Warr



)

28 May 1998

Faithful Group Limited

BALANCE SHEET at 31 December 1997

	Note	1997 £	1996 £
FIXED ASSETS			
Investments	12	1,399,711	1,278,740
CURRENT ASSETS			
Debtors	14	2,244,690	351,310
Cash at bank and in hand		18,470	1,960,597
		<u>2,263,160</u>	<u>2,311,907</u>
CREDITORS: amounts falling due within one year			
Accruals and deferred income		17,789	37,073
Corporation tax		31,800	27,030
Dividends		95,400	76,320
		<u>144,989</u>	<u>140,423</u>
NET CURRENT ASSETS		<u>2,118,171</u>	<u>2,171,484</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,517,882</u>	<u>3,450,224</u>
CREDITORS: amounts falling due after more than one year			
Loan from subsidiary undertaking		1,029,707	1,050,000
		<u>2,488,175</u>	<u>2,400,224</u>
CAPITAL AND RESERVES			
Called up share capital	18	25,440	25,440
Profit and loss account	20	2,462,735	2,374,784
EQUITY SHAREHOLDERS' FUNDS	21	<u>2,488,175</u>	<u>2,400,224</u>

C I Dorrell

C I Dorrell

) Directors

P R Warr

P R Warr

28 May 1998

Faithful Group Limited

GROUP CASH FLOW STATEMENT for the year ended 31 December 1997

	Notes	1997 £	1996 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	22	2,019,364	2,730,588
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		84,789	110,783
Interest paid		(112,387)	(114,592)
NET CASH (OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(27,598)	(3,809)
TAXATION			
Corporation tax paid (including advance corporation tax)		(515,862)	(671,193)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		(320,724)	(556,685)
Receipts from sale of tangible fixed assets		45,085	133,150
		(275,639)	(423,535)
ACQUISITIONS			
Purchase of subsidiary undertakings	12	(1,967,082)	-
Net overdraft acquired with subsidiary undertakings		(1,273,724)	-
		(3,240,806)	-
EQUITY DIVIDENDS PAID		(31,800)	(147,399)
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(2,072,341)	1,484,652
FINANCING			
Repayments of capital element of finance lease rentals	24	-	(1,333)
(DECREASE)/INCREASE IN CASH	22	(2,072,341)	1,483,319

Faithful Group Limited

NOTES TO THE ACCOUNTS

at 31 December 1997

1 ACCOUNTING POLICIES

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

Basis of consolidation

The consolidated accounts incorporate the accounts of the company and each of its subsidiaries for the year ended 31 December 1997.

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	25-50 years
Plant and equipment	3-10 years
Motor vehicles	4-5 years

Leased assets

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

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

Stocks

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

Deferred taxation

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

Pension costs

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

Foreign currencies

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

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

Faithful Group Limited

NOTES TO THE ACCOUNTS

at 31 December 1997

1 ACCOUNTING POLICIES (continued)

Investment in subsidiaries

The group has changed the basis of accounting for investments in subsidiaries from annual revaluation to original cost. The effect of this change has been accounted for as a prior year adjustment and comparatives in the balance sheet and notes to the accounts have been amended (note 20).

Goodwill

Purchased goodwill, representing the excess of the purchase consideration for subsidiary undertakings over the fair value ascribed to their net tangible assets at the respective date of acquisition, is set off directly against reserves.

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:

	1997 £	1996 £
Continuing operations:		
United Kingdom	11,231,065	11,326,659
Overseas	14,379,971	5,531,480
	<u>25,611,036</u>	<u>16,858,139</u>

3 OPERATING COSTS

	1997 £	1996 £
Decrease/(increase) in stocks of finished goods and work in progress	607,659	876,656
Raw materials and consumables	11,960,423	7,794,591
Staff costs:		
Wages and salaries	6,841,602	4,165,075
Social security costs	884,978	379,580
Other pension costs	178,926	160,732
Depreciation	435,621	313,020
Operating lease rentals - plant and equipment	197,601	167,158
- land and buildings	132,684	126,666
Auditors' remuneration - audit services	84,232	28,056
- non-audit services	43,564	25,900
Other operating charges	2,330,615	1,409,762
Other income	-	(27,391)
	<u>23,697,905</u>	<u>15,419,805</u>

Faithful Group Limited

NOTES TO THE ACCOUNTS at 31 December 1997

4 INTEREST RECEIVABLE

	1997 £	1996 £
Bank interest	84,799	110,783

5 INTEREST PAYABLE

	1997 £	1996 £
On amounts repayable within five years:		
Bank overdrafts and loans	112,398	1,547
Hire purchase	-	237
	112,398	1,784

6 OTHER FINANCE COSTS

	1997 £	1996 £
Exchange loss	-	112,808

7 DIRECTORS' EMOLUMENTS

	1997 £	1996 £
Emoluments (excluding pension contributions)	269,847	236,211
Highest paid director	99,378	90,242
Accumulated accrued pension benefits	56,082	50,052

8 EMPLOYEES

The average number of employees during the period was 667 (1996 - 348).

9 TAX ON PROFIT ON ORDINARY ACTIVITIES

	1997 £	1996 £
The charge based on the profit for the year comprises:		
UK Corporation tax at 33% (1996: 33%)	298,796	275,424
UK Deferred tax	(7,200)	24,400
Corporation tax adjustment for prior years	482	(2,839)
	292,078	296,985
Overseas current tax	217,235	113,172
Overseas deferred tax	48,698	750
	558,011	410,907

The taxable profits for the year have been reduced by approximately £186,000 arising from tax losses brought forward. There are no tax losses available to be offset against future trading profits.

Faithful Group Limited

NOTES TO THE ACCOUNTS at 31 December 1997

10 DIVIDENDS

	1997 £	1996 £
Interim paid of 125p per share (1996 - 425p interim)	31,800	108,120
Proposed final of 375p per share (1996 - Nil)	95,400	-
	<u>127,200</u>	<u>108,120</u>

11 TANGIBLE FIXED ASSETS GROUP

	Freehold land and buildings £	Plant, equipment and vehicles £	Total £
Cost or valuation:			
At 1 January 1997	1,602,257	3,519,729	5,121,986
Exchange adjustments	(16,860)	29,577	12,717
Acquisitions	702,440	1,958,397	2,660,837
Additions	12,830	307,894	320,724
Disposals	-	(171,341)	(171,341)
At 31 December 1997	<u>2,300,667</u>	<u>5,644,256</u>	<u>7,944,923</u>
Depreciation:			
At 1 January 1997	157,770	2,651,617	2,809,387
Exchange adjustments	(3,510)	21,524	18,014
Acquisitions	295,778	1,450,178	1,745,956
Charge for the year	58,870	376,751	435,621
Disposals	-	(107,625)	(107,625)
At 31 December 1997	<u>508,908</u>	<u>4,392,445</u>	<u>4,901,353</u>
Net book value:			
At 31 December 1997	<u>1,791,759</u>	<u>1,251,811</u>	<u>3,043,570</u>
At 1 January 1997	<u>1,444,487</u>	<u>868,112</u>	<u>2,312,599</u>

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

	1997 £	1996 £
At cost	1,370,667	672,257
At valuation - 1994	930,000	930,000
	<u>2,300,667</u>	<u>1,602,257</u>

Faithful Group Limited

NOTES TO THE ACCOUNTS at 31 December 1997

11 TANGIBLE FIXED ASSETS *(continued)*

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

	1997 £	1996 £
Cost	1,734,505	1,036,095
Accumulated depreciation	518,987	175,276
	<u>1,215,518</u>	<u>860,819</u>

Freehold land and buildings includes £407,135 (1996 - £365,000) in respect of land.

COMPANY

	<i>Plant equipment and vehicles</i> £
Cost or valuation:	
At 1 January 1997 and 31 December 1997	12,200
Depreciation:	
At 1 January 1997 and 31 December 1997	12,200
Net book value:	
At 1 January 1997 and 31 December 1997	-

Faithful Group Limited

NOTES TO THE ACCOUNTS

at 31 December 1997

12 FIXED ASSETS - INVESTMENTS COMPANY

Subsidiary undertakings	Shares £
Cost	
At 1 January 1997	1,278,740
Acquisitions	120,971
At 31 December 1997	<u>1,399,711</u>

The group has shareholdings in excess of 20% in the following subsidiary undertakings:

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

All subsidiaries are wholly owned.

At 31 December 1997 the investment in Faithful BV and Liemco Beroepskleding BV were held by Faithful Nederland BV, the investment in Faithful Nederland BV and Faithful Inc. were held by Faithful Holdings Limited and the investment in Frederick Moffat Limited was held by Faithful Limited. The investment in Topps Safety Apparel Inc. was held by Faithful Inc. The investments in all other subsidiaries are held by the company.

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

Faithful Group Limited

NOTES TO THE ACCOUNTS at 31 December 1997

12 FIXED ASSETS - INVESTMENTS (continued)

(a) On 7 January 1997 the group acquired Topps Safety Apparel Inc. (formerly Edmonton Manufacturing Inc.) for a consideration of £1,846,111. The negative goodwill on acquisition of Topps Safety Apparel Inc. has been credited to a capital reserve.

Analysis of the acquisition of Topps Safety Apparel Inc.

NET ASSETS AT DATE OF ACQUISITION

	Book value	Accounting policy alignments	Revaluation	Fair value to the group
	£	£	£	£
Fixed assets	796,275	-	93,723	889,998
Current assets				
- Stocks	1,103,132	1,399,740	-	2,502,872
- Debtors	1,359,611	-	-	1,359,611
Current liabilities				
- Creditors	(743,981)	-	-	(743,981)
Creditors more than one year	(53,913)	-	(73,284)	(127,197)
	2,461,124	1,399,740	20,439	3,881,303
Deferred taxation	-	(542,278)	-	(542,278)
Net Assets	2,461,124	857,462	20,439	3,339,025
Cash consideration			1,846,111	
Net bank overdraft of Edmonton Manufacturing Co at date of acquisition			1,267,212	3,113,323
Negative goodwill on acquisition (note 19)				225,702

Faithful Group Limited

NOTES TO THE ACCOUNTS

at 31 December 1997

12 FIXED ASSETS - INVESTMENTS *(continued)*

- (b) On 3 September 1997 the company acquired Faithful Qualitext S.A.R.L. (Qualitext SARL) for a consideration of £120,971. The goodwill arising on acquisition of Faithful Qualitext has been written off against reserves.

Analysis of the acquisition of Faithful Qualitext

NET ASSETS AT DATE OF ACQUISITION

	<i>Book value</i>	<i>Accounting policy alignments</i>	<i>Revaluation</i>	<i>Fair value to the group</i>
	£	£	£	£
Fixed assets	57,718	-	(32,835)	24,883
Current liabilities				
- Creditors	(6,512)	-	-	(6,512)
	<u>51,206</u>	<u>-</u>	<u>(32,835)</u>	<u>18,371</u>
Cash consideration			120,971	
Net cash of Qualitext SARL at date of acquisition			(6,512)	114,459
Goodwill on acquisition (note 20)				<u>96,088</u>

13 STOCKS

	<i>1997</i>	<i>1996</i>
	£	£
GROUP		
Raw materials	2,040,765	719,118
Work in progress	728,512	520,350
Finished goods	3,036,379	2,177,184
Other	26,115	25,036
	<u>5,831,771</u>	<u>3,441,688</u>

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

Faithful Group Limited

NOTES TO THE ACCOUNTS at 31 December 1997

14 DEBTORS GROUP

	1997 £	1996 £
Amounts due within one year:		
Trade debtors	3,897,440	2,641,138
Prepayments and accrued income	177,915	185,702
ACT recoverable (note 17)	23,850	14,720
	<u>4,099,205</u>	<u>2,841,560</u>

COMPANY

Amounts due within one year:		
Amounts due from subsidiary undertakings	2,233,275	265,519
Group relief receivable	10,980	27,495
Prepayments and accrued income	435	58,296
	<u>2,244,690</u>	<u>351,310</u>

15 TRADE AND OTHER CREDITORS GROUP

	1997 £	1996 £
Trade creditors	1,188,998	732,288
Accruals and deferred income	717,225	664,633
Taxation and social security	515,991	526,065
Pension scheme contributions	31,076	16,487
	<u>2,453,290</u>	<u>1,939,473</u>

16 CREDITORS - amounts falling due after more than one year

	1997 £	1996 £
GROUP		
Accruals and deferred income	<u>172,260</u>	<u>88,707</u>

Faithful Group Limited

NOTES TO THE ACCOUNTS at 31 December 1997

17 PROVISIONS FOR LIABILITIES AND CHARGES GROUP

Deferred taxation

	1997 £	1996 £
At 1 January	(2,145)	(28,676)
Exchange adjustments	20,403	(1,799)
Transfer from profit and loss account	41,498	25,150
Movement in advance corporation tax	(4,770)	3,180
Acquisitions	542,278	-
At 31 December	597,264	(2,145)

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

	1997 £	Provided 1996 £	Full potential liability 1997 £	1996 £
Accelerated capital allowances	36,615	44,600	74,324	86,116
Short term timing differences	(36,615)	(37,400)	(40,160)	(37,391)
Advance corporation tax	(23,850)	(19,080)	(23,850)	(19,080)
Overseas taxation	621,114	9,735	621,114	9,735
	597,264	(2,145)	631,428	39,380

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

Analysed as:

	1997 £	1996 £
ACT recoverable	(23,850)	(14,720)
Deferred tax provision	621,114	12,575
	597,264	(2,145)

Faithful Group Limited

NOTES TO THE ACCOUNTS at 31 December 1997

18 CALLED UP SHARE CAPITAL

	<i>Authorised 1997 & 1996 £</i>
Ordinary shares of £1 each	50,000
	<i>Allotted, called up and fully paid 1997 & 1996 £</i>
Ordinary shares of £1 each	25,440

19 RESERVES GROUP

	<i>Capital £</i>	<i>Revaluation £</i>
At 1 January 1997	-	7,202,080
Prior year adjustment (note 1)	-	(6,661,588)
Revised balance at 1 January 1997	-	540,492
Transfer to profit and loss account	-	(7,427)
Negative goodwill on acquisition (note 13a)	225,702	-
At 31 December 1997	225,702	533,065

20 PROFIT AND LOSS ACCOUNT

	<i>Company £</i>	<i>Group £</i>
At 1 January 1997	2,374,784	9,129,437
Exchange adjustments	18,041	(171,349)
Tax on exchange gain	(5,603)	(5,603)
Profit for the year	75,513	1,200,321
Transfer from revaluation reserve	-	7,427
Goodwill on acquisition	-	(96,088)
At 31 December 1997	2,462,735	10,064,145

As permitted by Section 228(7) of the Companies Act 1985 the profit and loss account of the parent company is not presented as part of these accounts. The profit on ordinary activities for the financial year dealt with in the accounts of the company amounted to £202,713 (1996: profit £267,735).

The cumulative amount of goodwill written off at 31 December 1997, net of goodwill relating to undertakings disposed of, is £317,061 (1996: £220,973).

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NOTES TO THE ACCOUNTS at 31 December 1997

21 RECONCILIATION OF SHAREHOLDERS' FUNDS

	1997 £	1996 £
Total recognised gains and losses	1,150,569	614,115
Dividends	(127,200)	(108,120)
Total movements during the year	1,023,369	505,995
Goodwill written off	(96,088)	-
Negative goodwill credited to capital reserve	225,702	-
Total movements during the year	1,152,983	505,995
Shareholders' funds at 1 January	9,695,369	9,189,374
Shareholders' funds at 31 December	10,848,352	9,695,369

22 CASH FLOW STATEMENT

	1997 £	1996 £
a) Reconciliation of operating profit to net cash inflow from operating activities.		
Operating profit	1,913,131	1,438,466
Depreciation charges	435,621	313,020
Loss on sale of tangible fixed assets	62,540	12,949
Decrease/(increase) in stocks	84,211	1,162,395
(Increase)/decrease in debtors	(354,845)	20,203
(Decrease) in creditors	(111,006)	(216,445)
Other provision movements	(10,288)	-
	2,019,364	2,730,588
b) Reconciliation of net cash flow to movement in net cash		
	1997 £	1996 £
Decrease in cash	(2,072,341)	1,483,319
Change in net debt resulting from cash flows	(2,072,341)	1,483,319
Exchange differences	165,095	(47,947)
MOVEMENT IN NET CASH	(1,907,246)	1,435,372
NET CASH AT 1 JANUARY	23c 3,494,267	2,058,895
NET CASH AT 31 DECEMBER	23c 1,587,021	3,494,267

Faithful Group Limited

NOTES TO THE ACCOUNTS at 31 December 1997

22 CASH FLOW STATEMENT (continued)

c) Analysis of net cash

	<i>At 1 January 1997 £</i>	<i>Cash flow £</i>	<i>Exchange differences £</i>	<i>At 31 December 1997 £</i>
Cash at bank and in hand	3,494,267	(1,406,307)	165,095	2,253,055
Bank overdrafts	-	(666,034)	-	(666,034)
Cash	3,494,267	(2,072,341)	165,095	1,587,021

The bank overdraft is secured over certain of the group's US assets.

23 CAPITAL COMMITMENTS

	<i>1997 £</i>	<i>1996 £</i>
Contracted	2,717	13,484

24 OBLIGATIONS UNDER LEASES AND HIRE PURCHASE CONTRACTS GROUP

	<i>1997 £</i>	<i>1996 £</i>
Analysis of changes in finance leasing during the year:		
At 1 January	-	1,333
Capital element of finance lease rental payments	-	(1,333)
At 31 December	-	-

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

	<i>Land and Buildings 1997 £</i>	<i>1996 £</i>	<i>1997 £</i>	<i>Other 1996 £</i>
Leases expiring:				
Within one year	11,756	-	23,695	23,794
Within two to five years	-	-	88,183	110,680
Thereafter	133,368	131,150	-	1,578
	145,124	131,150	111,878	136,052

NOTES TO THE ACCOUNTS
at 31 December 1997

25 PENSION SCHEME

The group operates four pension schemes.

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

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

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

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

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

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