

WEARWELL (UK) LIMITED
(Registered in England No: 2993093)
FINANCIAL STATEMENTS
- year ended -
31ST DECEMBER 1998



WEARWELL (UK) LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 1998

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WEARWELL (UK) LIMITED
(Registered in England No: 2993093)

DIRECTORS

D A Thompson
B Greasley

SECRETARY

B Greasley

REGISTERED OFFICE

Gagarin
Lichfield Road
TAMWORTH
Staffs
B79 7TR

AUDITORS

Smith Cooper & Partners
Majority House
Lodge Lane
DERBY
DE1 3HB

BANKERS

Midland Bank plc
Business Banking Centre
1 St James Court
Friar Gate
DERBY
DE1 1BT

WEARWELL (UK) LIMITED
REPORT OF THE DIRECTORS
YEAR ENDED 31ST DECEMBER 1998

The directors present their annual report and audited financial statements for the year ended 31st December 1998.

PRINCIPAL ACTIVITY

The company's principal activity, which has remained unchanged throughout the year, is the manufacture and marketing of workwear within the United Kingdom.

CHIEF EXECUTIVE'S REPORT

Our aim is to be the best supplier of quality work wear garments to the Rental and Health Care industries/hospitals and a leader in our chosen markets.

1998 in comparison with the high performing year of 1997 was more difficult than anticipated in terms of growth of sales and profits. Offshore sourcing by our major competitors resulted in a considerable reduction in market prices which fed through into pressure on invoiced sales and gross margins.

Investment has continued in all areas of the business, particularly in preparation for the Millennium and penetration into new market areas.

1999 promises to be a very interesting year.

REVIEW OF BUSINESS

A summary of the results of the year's trading is given on page 5 of the financial statements. The directors consider the result for the year to be satisfactory.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue to operate.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

WEARWELL (UK) LIMITED
REPORT OF THE DIRECTORS - CONTINUED
YEAR ENDED 31ST DECEMBER 1998

DIVIDEND

During the year the directors declared a preference share dividend of £0.10p per share to be paid from the profit for the year. The company also proposed the 8% "A" ordinary share dividend of £29,820 for 1998 (1997: £36,827). The directors propose that the retained profit for the year of £228,418 (1997: £276,250) be carried to reserves.

DIRECTORS' INTERESTS

The directors' who have held office during the year are listed on page 1. Their interest in the share capital of the company at the year end is as follows:

	1998 Ordinary Shares	1997 Ordinary Shares
D A Thompson	10,714	10,714
B Greasley	4,903	-

Tecwear Limited, a company of which D A Thompson is a director and in which he retains a controlling interest, currently holds 98,572 ordinary shares which represents 46% of the company's voting rights.

B Greasley acquired 4,903 Ordinary Shares of the company on 12 February 1998.

FIXED ASSETS

The movements in fixed assets during the year are summarised in note 7 to the financial statements.

AUDITORS

In accordance with Section 385(2) of the Companies Act 1985 a resolution proposing the re-appointment of Smith Cooper & Partners as auditors to the company will be put to the annual general meeting.

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium sized companies.

By Order of the Board


B GREASLEY
Secretary

WEARWELL (UK) LIMITED
AUDITORS' REPORT TO WEARWELL (UK) LIMITED
PURSUANT TO SECTION 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated accounts on pages 5 to 15 together with the financial statements of Wearwell (UK) Limited prepared under section 226 of the Companies Act 1985 for the year ended 31st December 1998.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with Section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to the company's entitlement to deliver abbreviated accounts and whether the abbreviated accounts have been properly prepared in accordance with that section.

Basis of opinion

We have carried out the procedures we consider necessary to confirm, by reference to the audited financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts have been properly prepared from those financial statements. The scope of our work for the purpose of this report does not include examining or dealing with events after the date of our report on the full financial statements.

Opinion

In our opinion the company is entitled under sections 246 and 247 of the Companies Act 1985 to deliver abbreviated accounts prepared in accordance with Section 246A of that Act, in respect of the year ended 31st December 1998 and the abbreviated accounts on pages 5 to 15 have been properly prepared in accordance with that section.



SMITH COOPER & PARTNERS
Registered Auditors
Chartered Accountants

DERBY: 16th April 1999

WEARWELL (UK) LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 1998

PROFIT AND LOSS ACCOUNT

	Note	1998	1997
GROSS PROFIT		1,240,667	1,345,881
Operating expenses		854,922	855,814
		<hr/>	<hr/>
OPERATING PROFIT	3	385,745	490,067
Interest payable and similar charges	4	(12,995)	(29,728)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		372,750	460,339
TAXATION	6	91,282	116,808
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		281,468	343,531
DIVIDENDS	15	(53,320)	(67,281)
		<hr/>	<hr/>
PROFIT RETAINED FOR THE YEAR		£228,148	£276,250
		<hr/>	<hr/>

The company has no acquisitions or discontinued activities during the year. The company has no recognised gains or losses for the year other than the profit stated above of £228,148.

The notes on pages 8 to 15 form part of these financial statements.

WEARWELL (UK) LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 1998

BALANCE SHEET

	Note	1998	1997
FIXED ASSETS			
Tangible assets	1&7	505,938	519,862
CURRENT ASSETS			
Stocks and work in progress	1&8	867,322	1,049,921
Debtors	9	1,635,309	1,573,978
Cash at bank and in hand		<u>225,952</u>	<u>36,293</u>
		2,728,583	2,660,192
CREDITORS: Amounts falling due within one year	10	<u>1,183,122</u>	<u>1,251,555</u>
NET CURRENT ASSETS		<u>1,545,461</u>	<u>1,408,637</u>
		2,051,399	1,928,499
CREDITORS: Amounts falling due after more than one year	11	<u>194,101</u>	<u>232,206</u>
		<u>£1,857,298</u>	<u>£1,696,293</u>
CAPITAL AND RESERVES			
Called up share capital (Including non-equity interests)	13	216,299	216,972
Share premium account	14	199,415	265,885
Profit and loss account	16a	747,546	520,740
Capital reserve	18	692,696	692,696
Capital redemption reserve	16b	<u>1,342</u>	<u>-</u>
Shareholders' Funds	14	<u>£1,857,298</u>	<u>£1,696,293</u>

The directors have taken advantage of the special exemptions conferred by Part VII of the Companies Act 1985 and have done so on the grounds that, in their opinion, the company is entitled to those exemptions as a medium sized company.

The financial statements were approved by the Board on 15-4-99


D THOMPSON
DIRECTOR


B GREASLEY
DIRECTOR

The notes on pages 8 to 15 form part of these financial statements

WEARWELL (UK) LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 1998

CASHFLOW STATEMENT	1998		1997
NET CASH INFLOW FROM OPERATING ACTIVITIES	549,453		247,030
RETURNS ON INVESTMENTS & SERVICING OF FINANCE			
Interest received	12,236		3,343
Interest paid	(25,231)		(33,071)
Preference dividend paid	(63,924)		(63,162)
TAXATION	(127,282)		(101,033)
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets	(50,688)	(79,485)	
Receipts from sales of tangible fixed assets	<u> - </u> (50,688)	<u> 1,100 </u>	(78,385)
	294,564		(25,278)
FINANCING			
Purchase of preference shares	(67,143)	(67,143)	
Repayment of amounts borrowed	<u>(37,762)</u> (104,905)	<u>(26,438)</u> (93,581)	
NET CASH (OUTFLOW)/INFLOW	<u>£189,659</u>		<u>£(118,859)</u>
	31.12.97	Cashflow	31.12.98
Cash and Bank	<u>£36,293</u>	<u>£189,659</u>	<u>£225,952</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES	1998		1997
Operating profit	385,745		490,067
Depreciation charge including profits or loss on sale of fixed assets	64,612		74,841
(Increase)/Decrease in stock	182,599		(382,222)
Decrease/(Increase) in debtors	(61,331)		(117,854)
Increase/(Decrease) in creditors	<u>(22,172)</u>		<u>182,198</u>
	<u>£549,453</u>		<u>£247,030</u>

WEARWELL (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 1998

1. ACCOUNTING POLICIES

The accounts have been prepared in accordance with applicable accounting standards. The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention.

TANGIBLE FIXED ASSETS

Depreciation is calculated to write off the cost of tangible fixed assets over their estimated useful lives on the following basis:

Freehold Property	4% per annum straight line
Plant & Machinery	10%-20% per annum straight line
Motor vehicles	25% per annum straight line
Office Equipment	10%-33% per annum straight line

DEFERRED TAXATION

Deferred taxation is provided on the liability method to take account of timing differences. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is considered that a net liability may crystallise.

FOREIGN EXCHANGE

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the translation. Balances at the year end denominated in a foreign currency are translated into sterling at the rate of exchange ruling at the balance sheet date.

LEASING

Tangible fixed assets acquired under finance leases or hire purchase contracts are capitalised and depreciated in the same manner as other tangible fixed assets. The related obligations net of future finance charges are included in creditors.

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

WEARWELL (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 1998

1. ACCOUNTING POLICIES- CONTINUED

STOCKS AND WORK IN PROGRESS

Stock and work in progress is valued at the lower of cost, being net invoice value or cost of production to date, and net realisable value.

PENSIONS

The company operates a defined benefit pension scheme in respect of certain employees of the company.

Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees working life. Variations from regular cost are spread over the expected remaining service lives of the relevant employees.

2. TURNOVER

Turnover represents sales to customers exclusive of value added tax and discounts allowed.

Turnover arises entirely from the company's principal activity all of which is within the United Kingdom.

3. OPERATING PROFIT

The operating profit for the period, which all relate to continuing operations is stated after charging the following:

	1998	1997
Depreciation of tangible fixed assets held under finance lease agreements	(980)	29,715
Depreciation of owned tangible fixed assets	65,592	46,226
Directors' remuneration	32,112	45,000
Directors pension contributions	4,524	17,228
Staff costs	1,311,962	1,291,078
Auditors' remuneration	7,500	7,500
Leasing charges - other	27,160	28,230
- property	53,506	53,506
Profit on disposal of fixed assets	-	(1,100)
Rental income	(2,813)	(3,750)
Ex-Gratia payments	-	35,000
	<hr/>	<hr/>

WEARWELL (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 1998

4. INTEREST PAYABLE	1998	1997
On bank loans, overdrafts and other loans repayable within 5 years	147	3,195
On bank loans repayable after more than 5 years	21,799	26,591
Finance lease interest	3,285	3,285
Bank interest received	(12,236)	(3,343)
	<u>£12,995</u>	<u>£29,728</u>

5. STAFF COSTS

The average weekly number of persons (including directors) employed by the company was as follows:

Production and sales	105	105
Management and administration	<u>15</u>	<u>14</u>
	<u>£120</u>	<u>119</u>

The aggregate payroll costs of these persons were as follows:

Wages and salaries (including directors)	1,214,547	1,216,822
Social security costs	102,971	93,105
Pension costs	29,374	37,116
Health insurance	<u>1,706</u>	<u>6,418</u>
	<u>£1,348,598</u>	<u>£1,353,461</u>

6. TAXATION

The taxation charge for the year comprises:

UK corporation tax @ 31% - current year	100,000	136,000
- previous year	(8,718)	(19,192)
	<u>£ 91,282</u>	<u>£116,808</u>

The company is a close company for taxation purposes

The movement on unprovided deferred taxation for the year was as follows:

Accelerated capital allowances over corresponding depreciation	Nil	Nil
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WEARWELL (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 1998

7. TANGIBLE FIXED ASSETS

COST	Freehold Property	Motor Vehicles	Office Equipment	Plant & Machinery	TOTAL
At 1st January 1998	435,000	73,411	76,139	105,167	689,717
Additions	<u>-</u>	<u>35,391</u>	<u>12,197</u>	<u>3,100</u>	<u>50,688</u>
At 31st December 1998	<u>£435,000</u>	<u>£108,802</u>	<u>£88,336</u>	<u>£108,267</u>	<u>£740,405</u>
DEPRECIATION					
At 1st January 1998	31,543	44,160	49,071	45,081	169,855
Charge for year	<u>13,044</u>	<u>16,566</u>	<u>22,724</u>	<u>12,278</u>	<u>64,612</u>
At 31st December 1998	<u>£44,587</u>	<u>£60,726</u>	<u>£71,795</u>	<u>£57,359</u>	<u>£234,467</u>
NET BOOK VALUE					
At 31st December 1998	<u>£390,413</u>	<u>£48,076</u>	<u>£16,541</u>	<u>£50,908</u>	<u>£505,938</u>
At 31st December 1997	<u>£403,457</u>	<u>£29,251</u>	<u>£27,068</u>	<u>£60,086</u>	<u>£519,862</u>
Included in the above are assets held under finance leases contracts with a net book value of:					
At 31st December 1998	<u>£ -</u>	<u>£9,674</u>	<u>£ -</u>	<u>£ -</u>	<u>£9,674</u>
At 31st December 1997	<u>£ -</u>	<u>£Nil</u>	<u>£ -</u>	<u>£8,694</u>	<u>£8,694</u>

8. STOCKS

	1998	1997
Raw materials and consumables	218,075	155,607
Goods for resale	503,243	801,088
Work in progress	<u>146,004</u>	<u>93,226</u>
	<u>£867,322</u>	<u>£1,049,921</u>

WEARWELL (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 1998

9. DEBTORS: Amounts falling due within one year	1998	1997
Trade debtors	1,574,744	1,517,991
Prepayments and accrued income	50,592	39,167
ACT recoverable	<u>9,973</u>	<u>16,820</u>
	<u>£1,635,309</u>	<u>£1,573,978</u>

10. CREDITORS: Amounts falling due within one year		
Bank loan and overdraft	21,688	21,688
Trade creditors	524,097	589,083
Taxation and social security	193,250	168,845
Corporation tax	100,000	136,000
Accruals	277,505	245,755
Finance lease obligations	16,719	16,376
Dividends payable	39,891	50,495
ACT payable	<u>9,972</u>	<u>23,313</u>
	<u>£1,183,122</u>	<u>£1,251,555</u>

Dividends payable represents the redeemable preference share dividend due for payment at 31 December 1998 and the "A" ordinary share dividend.

11. CREDITORS: Amounts falling due after more than one year		
Bank loan	19,401	216,425
Finance lease obligations	<u>-</u>	<u>15,781</u>
	<u>£19,401</u>	<u>£232,206</u>
Payable by instalments 2-5 years	86,752	86,752
Payable by instalments over 5 years	<u>107,349</u>	<u>129,673</u>
	<u>£194,101</u>	<u>£216,425</u>

WEARWELL (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 1998

12. SECURED LIABILITIES **1998** **1997**

Of amounts included in creditors, security has been given by the company in respect of the following liabilities:

Finance lease	16,719	32,157
Bank loan	<u>215,789</u>	<u>238,113</u>
	<u>£232,508</u>	<u>£270,270</u>

The finance lease liability is secured against the individual assets purchased through the agreements.

The bank loan is secured against a first mortgage over the freehold property.

13. CALLED UP SHARE CAPITAL **1998** **1997**

Authorised, allotted, issued and fully paid

150,000 Ordinary shares of £1 each	150,000	150,000
64,286 'A' Ordinary shares of £1 each	64,286	64,286
201,428 (1997: 268,571) Redeemable Preference shares of 1p each	<u>2,013</u>	<u>2,686</u>
	<u>£216,299</u>	<u>£216,972</u>

Voting Rights

Votes per share

Ordinary £1 shares	1
Ordinary 'A' £1 shares	1
Redeemable preference shares	0

Redeemable preference shares rank first for repayment in the event of any winding up order on the company.

Ordinary 'A' £1 shares may be converted into ordinary shares at any time by the holders on a one for one basis.

WEARWELL (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 1998

13. CALLED UP SHARE CAPITAL - CONTINUED

Dividend Rights
Redeemable Preference Shares

Cumulative net cash fixed dividend calculated at 10% of the subscription price payable half yearly on 30th June and 31st December accruing from the date of subscription.

"A" Ordinary Shares

Cumulative net cash participating dividend calculated as a class such sum as shall equal 8% of net profit earned in the relevant year.

14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS

	1998		1997	
	Equity	Non-equity	Equity	Non-Equity
Opening shareholders funds	1,693,607	2,686	1,483,829	3,357
Result for the financial year	257,970	23,498	313,077	30,454
Share redemption		(671)	-	(671)
Share premium account	(66,472)	-	(66,472)	-
Dividends paid	(29,820)	(23,500)	(36,827)	(30,454)
	<u>£1,855,285</u>	<u>£ 2,013</u>	<u>£1,693,607</u>	<u>£ 2,686</u>
15. DIVIDENDS				1997
			1998	
Preference dividend paid and payable on 268,571 (1997: 335,714) shares @ £0.05p per share			13,428	17,430
Preference dividend payable on 201,428 (1997: 268,571) shares @ £0.05p per share			10,072	13,024
Ordinary "A" £1 share dividend payable on 64,286 shares @ £0.464p (1997: £0.573p)			<u>29,820</u>	<u>36,827</u>
			<u>£53,320</u>	<u>£67,281</u>
16a. RESERVES – Profit & Loss Account				
At 1st January 1998			520,740	244,490
Result for the year			228,148	276,250
Transfer to capital redemption reserve			(1,342)	-
At 31st December 1998			<u>£747,546</u>	<u>£520,740</u>
16b. CAPITAL REDEMPTION RESERVE				
Transfer from profit and loss and at 31st December 1998			<u>£1,342</u>	<u>£ -</u>

WEARWELL (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 1998

17. TRANSACTIONS INVOLVING DIRECTORS

During the year under review the company engaged in arms length contracts to the value of £99,400 (1997: £82,900) with Tecwear Limited, a company of which Mr Thompson is a director and majority shareholder:

18. CAPITAL RESERVE ARISING ON ACQUISITION

Acquisition of trade and related assets and liabilities of Dickies Wearwell Limited

	1998	1997
Capital reserve as at 31st December 1997		
and at 31st December 1998	£692,696	£692,696

19. COMMITMENTS & AUTHORISATIONS NOT PROVIDED

At 31st December 1998 the company had the following other commitments in respect of operating leases and redemption of share capital.

OPERATING LEASE LIABILITIES	1998	1997
Within one year		
Other	£21,550	£29,987
Within two to five years		
Property	53,000	53,000
Other	4,546	-
	£57,546	£53,000

Redeemable Preference Shares

Redeemable preference shares are redeemed by five annual instalments, the second tranche is due for redemption at 30th June 1999:

	1998	1997
Within one year	£67,143	£67,143
Within two to five years	£134,286	£201,429

The company may redeem shares earlier in amounts of not less than 20,000 shares with the prior consent of the holders. All shares shall be redeemed before a sale or flotation of the company.

20. CONTINGENT LIABILITIES

The directors of the company are confident that there is no contingent liability arising out of any claims currently being made by employees against the company. These claims are being dealt with by the company's insurers and no additional liability is foreseen.