

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

**FINANCIAL STATEMENTS**

**- year ended -**

**31ST DECEMBER 2000**



**WEARWELL (UK) LIMITED**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31ST DECEMBER 2000**

**C O N T E N T S**

	<b>Page</b>
Company particulars	1
Report of the directors	2/3
Auditors' report	4
Financial statements	
Profit and loss account	5
Balance sheet	6
Cashflow statement	7
Notes on the financial statements	8/15

**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  
Majority House  
Lodge Lane  
DERBY  
DE1 3HB

**BANKERS**

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

**WEARWELL (UK) LIMITED**  
**REPORT OF THE DIRECTORS**  
**YEAR ENDED 31ST DECEMBER 2000**

The directors present their annual report and audited financial statements for the year ended 31st December 2000.

**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**

The company's performance in the year 2000 was excellent when one considers the extremely aggressive pricing policies of the major Plc's operating in the same market place. The company continues to strengthen its position on its chosen markets and new trading areas such as Health Care and Service activities.

Cash performance was also excellent in spite of the drain on resources following the buy back of shares from the Venture Capital provider 3i Plc.

There are some very interesting projects in the pipeline and we look forward to an exciting year in 2001.

**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 of 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 2000**

**DIVIDEND**

During the year the directors paid a preference share dividend of £0.05p per share from the profit for the year. The company also paid the 8% "A" ordinary share dividend of £11,200 for 2000 (1999: £17,436). The directors propose that the retained profit for the year of £171,475 (1999: £133,130) 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:

	<b>2000</b>	<b>1999</b>
	<b>Ordinary Shares</b>	<b>Ordinary Shares</b>
D A Thompson	10,714	10,714
B Greasley	5,403	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 67% of the company's voting rights.

**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 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 THE MEMBERS OF**  
**WEARWELL (UK) LIMITED**

We have audited the financial statements on pages 5 to 15 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

**Respective Responsibilities of Directors and Auditors**

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 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 company'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 the company's affairs at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to medium sized companies.

**DERBY: 25<sup>th</sup> April 2001**

  
**SMITH COOPER**  
**Registered Auditors**  
**Chartered Accountants**

**WEARWELL (UK) LIMITED**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31ST DECEMBER 2000**

**PROFIT AND LOSS ACCOUNT**

	Note	2000	1999
<b>GROSS PROFIT</b>		1,053,079	970,750
Operating expenses		812,643	744,855
		<hr/>	<hr/>
<b>OPERATING PROFIT</b>	3	240,436	225,895
Interest payable and similar charges	4	(14,211)	( 7,938)
		<hr/>	<hr/>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		226,225	217,957
<b>TAXATION</b>	6	73,114	50,606
		<hr/>	<hr/>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		153,114	167,351
<b>DIVIDENDS</b>	15	( 17,914)	( 34,221)
		<hr/>	<hr/>
<b>PROFIT RETAINED FOR THE YEAR</b>		£135,197	£133,130
		<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 £171,475

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

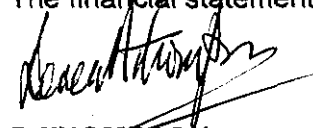
**WEARWELL (UK) LIMITED**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31ST DECEMBER 2000**

**BALANCE SHEET**

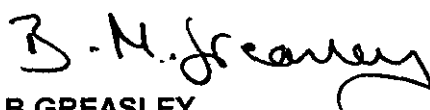
	Note	2000	1999
<b>FIXED ASSETS</b>			
Tangible assets	1&7	474,551	502,665
<b>CURRENT ASSETS</b>			
Stocks and work in progress	1&8	953,326	972,161
Debtors	9	1,158,387	1,627,846
Cash at bank and in hand		<u>91,808</u>	<u>31,762</u>
		2,203,521	2,631,769
<b>CREDITORS: Amounts falling due within one year</b>	10	<u>1,146,532</u>	<u>1,046,345</u>
<b>NET CURRENT ASSETS</b>		<u>1,056,989</u>	<u>1,585,424</u>
		1,531,540	2,088,089
<b>CREDITORS: Amounts falling due after more than one year</b>	11	<u>122,068</u>	<u>164,804</u>
		<u>£1,409,472</u>	<u>£1,923,285</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital (Including non-equity interests)	13	146,178	215,628
Share premium account	14	132,943	132,943
Profit and loss account	16a	366,192	880,005
Capital reserve	18	692,696	692,696
Capital redemption reserve	16b	<u>71,463</u>	<u>2,013</u>
Shareholders' Funds	14	<u>£1,409,472</u>	<u>£1,923,285</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 19-4-01



**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 2000**

<b>CASHFLOW STATEMENT</b>	<b>2000</b>	<b>1999</b>
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	884,264	148,585
<b>RETURNS ON INVESTMENTS &amp; SERVICING OF FINANCE</b>		
Interest received	5,390	10,919
Interest paid	(19,601)	(18,857)
Dividend paid	(35,350)	(56,676)
<b>TAXATION</b>	(42,793)	(92,926)
<b>CAPITAL EXPENDITURE</b>		
Payments to acquire tangible fixed assets	(47,422)	(76,336)
	<u>744,488</u>	<u>(85,291)</u>
<b>FINANCING</b>		
Purchase of own equity shares	(514,725)	-
Purchase of preference shares	(134,285)	(67,143)
Repayment of amounts borrowed	(31,172)	(46,016)
	<u>(680,182)</u>	<u>(113,159)</u>
<b>NET INCREASE/(DECREASE) IN CASH</b>	<u>£ 64,306</u>	<u>£(198,450)</u>

	<b>31.12.00</b>	<b>Cashflow</b>	<b>31.12.99</b>
Cash and bank balances	<u>£91,808</u>	<u>£64,306</u>	<u>£27,502</u>

<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>2000</b>	<b>1999</b>
Operating profit	240,436	225,895
Depreciation charge	75,536	79,609
(Increase)/Decrease in stock	(42,815)	(104,839)
Decrease/(Increase) in debtors	469,459	( 2,510)
Increase/(Decrease) in creditors	79,998	( 49,570)
Increase/(Decrease) in provisions	<u>61,650</u>	<u>61,650</u>
	<u>£884,264</u>	<u>£148,585</u>

**WEARWELL (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31ST DECEMBER 2000**

**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.

**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.

**WEARWELL (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31ST DECEMBER 2000**

**1. ACCOUNTING POLICIES- CONTINUED**

**DEFINED BENEFIT SCHEME**

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company, being invested with insurance companies. 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 contributions are determined by a qualified actuary on the basis of triennial valuations using the attained age method. The most recent valuation was as at 31 December 2000. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 9% per annum, that salary increases would average 7.5% per annum and that present and future pensions would increase at the rate of 5% per annum.

The pension charge for the period was £35,232 (1999: £30,732).

The most recent actuarial valuation showed that the market value of the scheme's assets was £217,000 and that the actuarial value of those assets represented 87.1% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contributions of the company will increase to 11.8% of earnings and employees will remain at 6% of earnings.

One of the directors has benefits accruing under the defined benefit scheme.

**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:

	2000	1999
Depreciation of owned tangible fixed assets	75,537	64,781
Directors' remuneration	31,647	29,500
Directors pension contributions	2,019	1,769
Staff costs	1,800,617	1,329,374
Auditors' remuneration	7,500	7,500
Leasing charges - other	13,053	22,124
- property	55,749	54,920
Rental income	(3,813)	(5,850)

**WEARWELL (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31ST DECEMBER 2000**

<b>4. INTEREST PAYABLE</b>	<b>2000</b>	<b>1999</b>
On bank loans, overdrafts and other loans repayable within 5 years	6,650	-
On bank loans repayable after more than 5 years	12,951	18,857
Bank interest received	<u>( 5,390)</u>	<u>(10,919)</u>
	<b>£14,211</b>	<b>£ 7,938</b>

**5. STAFF COSTS**

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

Production and sales	104	98
Management and administration	<u>13</u>	<u>14</u>
	<b>117</b>	<b>112</b>

The aggregate payroll costs of these persons were as follows:

Wages and salaries (including directors)	1,693,909	1,228,211
Social security costs	97,128	99,954
Pension costs	35,234	27,772
Health insurance	<u>8,012</u>	<u>4,706</u>
	<b>£1,834,283</b>	<b>£1,360,643</b>

**6. TAXATION**

The taxation charge for the year comprises:

UK corporation tax @ 26.7% - current year	88,000	57,679
- previous year	<u>(14,886)</u>	<u>( 7,073)</u>
	<b>£73,114</b>	<b>£50,606</b>

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 2000

### 7. TANGIBLE FIXED ASSETS

COST	Freehold Property	Motor Vehicles	Office Equipment	Plant & Machinery	TOTAL
At 1st January 2000	435,000	119,888	95,875	145,553	796,316
Additions	-	26,788	6,014	14,620	47,422
Disposals	-	( 4,450)	-	-	( 4,450)
At 31st December 2000	<u>£435,000</u>	<u>£142,226</u>	<u>£101,889</u>	<u>£160,173</u>	<u>£839,288</u>

### DEPRECIATION

At 1st January 2000	57,630	71,843	90,795	73,382	293,650
Charge for year	13,044	33,401	1,709	27,383	75,537
Eliminated on disposal	-	( 4,450)	-	-	( 4,450)
At 31st December 2000	<u>£70,674</u>	<u>£100,794</u>	<u>£92,504</u>	<u>£100,765</u>	<u>£364,737</u>

### NET BOOK VALUE

At 31st December 2000	<u>£364,326</u>	<u>£41,432</u>	<u>£9,385</u>	<u>£59,408</u>	<u>£474,551</u>
At 31st December 1999	<u>£377,370</u>	<u>£48,045</u>	<u>£5,080</u>	<u>£72,171</u>	<u>502,666</u>

### 8. STOCKS

	2000	1999
Raw materials and consumables	170,555	159,349
Goods for resale	517,208	440,023
Work in progress	<u>265,563</u>	<u>372,789</u>
	<u>£953,326</u>	<u>£972,161</u>

### 9. DEBTORS: Amounts falling due within one year

Trade debtors	1,117,801	1,581,170
Prepayments and accrued income	<u>40,586</u>	<u>46,676</u>
	<u>£1,158,387</u>	<u>£1,627,846</u>

**WEARWELL (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31ST DECEMBER 2000**

<b>10. CREDITORS:</b> Amounts falling due within one year	<b>2000</b>	<b>1999</b>
Bank loan and overdraft	33,252	25,948
Trade creditors	640,595	431,658
Taxation and social security	106,730	164,714
Corporation tax	88,000	57,679
Accruals	277,955	348,910
Dividends payable	<u>-</u>	<u>17,436</u>
	<b>£1,146,532</b>	<b>£1,046,345</b>
	<u>                    </u>	<u>                    </u>

**11. CREDITORS:** Amounts falling due after more than one year

Bank loan	£122,068	£164,804
	<u>                    </u>	<u>                    </u>
Payable by instalments 2-5 years	122,068	86,752
Payable by instalments over 5 years	<u>-</u>	<u>78,052</u>
	<b>£122,068</b>	<b>£164,804</b>
	<u>                    </u>	<u>                    </u>

**12. SECURED LIABILITIES**

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

Bank loan	£155,320	£186,492
	<u>                    </u>	<u>                    </u>

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

# WEARWELL (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2000

13. CALLED UP SHARE CAPITAL	2000	1999
Authorised, allotted, issued and fully paid		
146,178 (1999: 150,000) Ordinary shares of £1 each	146,178	150,000
- (1999: 64,286) 'A' Ordinary shares of £1 each	-	64,286
- (1999: 1,342) Redeemable Preference shares of 1p each	-	<u>1,342</u>
	<u>£146,178</u>	<u>£215,628</u>

On 30<sup>th</sup> June 2000 the directors concluded negotiations with 3i Group plc with regard to the purchase by the company of 64,286 "A" ordinary share and 3,822 ordinary shares for a consideration of £134,285 and £525,925 respectively.

### Dividend Rights

The rights previously attached to the following classes of shares prior to their repurchase and cancellation were as follows:

### 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

	2000		1999	
	Equity	Non equity	Equity	Non Equity
Opening shareholders funds	1,921,943	1,342	1,855,285	2,013
Result for the financial year	146,397	6,714	150,566	16,785
Share redemption	( 68,108)	(1,342)	-	( 671)
Share premium account	-	-	( 66,472)	-
Dividends paid	( 11,200)	(6,714)	( 17,436)	(16,785)
Premium paid on share redemption	( 579,560)	-	-	-
	<u>£1,409,472</u>	<u>£ -</u>	<u>£1,921,943</u>	<u>£ 1,342</u>

**WEARWELL (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31ST DECEMBER 2000**

**15. DIVIDENDS**

	<b>2000</b>	<b>1999</b>
Preference dividend paid and payable on 134,285 (1999: 201,428) shares @ £0.05p per share	6,714	10,071
Preference dividend payable on Nil (1999: 134,285) shares @ £0.05p per share	-	6,714
Ordinary "A" £1 share dividend payable on 64,286 shares @ £0.174p (1999: £0.271p)	<u>11,200</u>	<u>17,436</u>
	<u>£17,914</u>	<u>£34,221</u>

**16a. RESERVES – Profit & Loss Account**

At 1st January 2000	880,005	747,546
Result for the year	135,197	133,130
Transfer to capital redemption reserve on share purchase	( 69,450)	( 671)
Premium paid on share redemption	<u>(579,560)</u>	<u>-</u>
At 31st December 2000	<u>£366,192</u>	<u>£880,005</u>

**16b. CAPITAL REDEMPTION RESERVE**

As at 31st December 1999	2,013	1,342
Transfer arising on share purchase from profit and loss account	<u>69,450</u>	<u>671</u>
At 31 <sup>st</sup> December 2000	<u>£71,463</u>	<u>£2,013</u>

**17. TRANSACTIONS INVOLVING DIRECTORS**

During the year under review the company purchased goods, at arms length, to the value of £104,300(1999: £96,300) from Tecwear Limited, a company of which Mr Thompson is a director and shareholder.



**WEARWELL (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31ST DECEMBER 2000**

**18. COMMITMENTS & AUTHORISATIONS NOT PROVIDED**

At 31st December 2000 the company had the following annual commitments in respect of operating leases and redemption of share capital.

<b>OPERATING LEASES WHICH EXPIRE</b>	<b>2000</b>	<b>1999</b>
Within two to five years:		
Property	£54,900	£53,000
	<hr/>	<hr/>

**Redeemable Preference Shares**

Redeemable preference shares were all redeemed on 30th June 2000:

	<b>2000</b>	<b>1999</b>
Within one year	£ -	£67,143
	<hr/>	<hr/>
Within two to five years	£ -	£67,143
	<hr/>	<hr/>

**19. 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.

**20. ULTIMATE HOLDING COMPANY**

The ultimate holding company is Tecwear Limited, which is registered in England.

**21. CONTROLLING PARTY**

The company is controlled by Mr D Thompson who retains a controlling interest in Tecwear Limited.