

WEARWELL (UK) LIMITED

(Registered in England No: 2993093)

FINANCIAL STATEMENTS

- year ended -

31ST DECEMBER 1999



WEARWELL (UK) LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 1999

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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
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 1999

The directors present their annual report and audited financial statements for the year ended 31st December 1999.

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.

1999 was a very interesting year with many changes taking place in the way our company operates. In view of the difficult year many garment manufacturers experienced the final result achieved was a credit to all staff demonstrating their commitment and dedication to performance in all areas of our business.

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 1999

DIVIDEND

During the year the directors declared a preference share dividend of £0.05p per share to be paid from the profit for the year. The company also proposed the 8% "A" ordinary share dividend of £17,436 for 1999 (1998: £29,820). The directors propose that the retained profit for the year of £133,130 (1998: £228,418) 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:

	1999	1998
	Ordinary Shares	Ordinary Shares
D A Thompson	10,714	10,714
B Greasley	4,903	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.

FIXED ASSETS

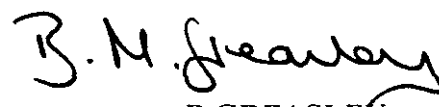
The movements in fixed assets during the year are summarised in note 7 to the financial statements.

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 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 1999.

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 1999 and the abbreviated accounts on pages 5 to 15 have been properly prepared in accordance with that section.



SMITH COOPER
Registered Auditors
Chartered Accountants

DERBY: 3rd April 2000

WEARWELL (UK) LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 1999

PROFIT AND LOSS ACCOUNT

	Note	1999	1998
GROSS PROFIT		970,750	1,240,667
Operating expenses		744,855	854,922
		<hr/>	<hr/>
OPERATING PROFIT	3	225,895	385,745
Interest payable and similar charges	4	(7,938)	(12,995)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		217,957	372,750
TAXATION	6	50,606	91,282
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		167,351	281,468
DIVIDENDS	15	(34,221)	(53,320)
		<hr/>	<hr/>
PROFIT RETAINED FOR THE YEAR		£133,130	£228,148
		<hr/> <hr/>	<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 £133,130

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

WEARWELL (UK) LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 1999

BALANCE SHEET

	Note	1999	1998
FIXED ASSETS			
Tangible assets	1&7	502,665	505,938
CURRENT ASSETS			
Stocks and work in progress	1&8	972,161	867,322
Debtors	9	1,627,846	1,635,309
Cash at bank and in hand		<u>31,762</u>	<u>225,952</u>
		2,631,769	2,728,583
CREDITORS: Amounts falling due within one year	10	<u>1,046,345</u>	<u>1,183,122</u>
NET CURRENT ASSETS		<u>1,585,424</u>	<u>1,545,461</u>
		2,088,089	2,051,399
CREDITORS: Amounts falling due after more than one year	11	<u>164,804</u>	<u>194,101</u>
		<u>£1,923,285</u>	<u>£1,857,298</u>
CAPITAL AND RESERVES			
Called up share capital (Including non-equity interests)	13	215,628	216,299
Share premium account	14	132,943	199,415
Profit and loss account	16a	880,005	747,546
Capital reserve	18	692,696	692,696
Capital redemption reserve	16b	<u>2,013</u>	<u>1,342</u>
Shareholders' Funds	14	<u>£1,923,285</u>	<u>£1,857,298</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 30.3.00


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 1999

CASHFLOW STATEMENT	1999		1998
NET CASH INFLOW FROM OPERATING ACTIVITIES	148,585		549,453
RETURNS ON INVESTMENTS & SERVICING OF FINANCE			
Interest received	10,919		12,236
Interest paid	(18,857)		(25,231)
Dividend paid	(56,676)		(63,924)
TAXATION	(92,926)		(127,282)
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets	(76,336)		(50,688)
	(85,291)		294,564
FINANCING			
Purchase of preference shares	(67,143)	(67,143)	
Repayment of amounts borrowed	(46,016)	(113,159)	(37,762)
			(104,905)
NET CASH (OUTFLOW)/INFLOW	£(198,450)		£189,659
	31.12.98	Cashflow	31.12.99
Cash and Bank	£225,952	£(198,450)	£27,502
NET CASH INFLOW FROM OPERATING ACTIVITIES			
	1999		1998
Operating profit	225,895		385,745
Depreciation charge including profits or loss on sale of fixed assets	79,609		64,612
(Increase)/Decrease in stock	(104,839)		182,599
Decrease/(Increase) in debtors	(2,510)		(61,331)
Increase/(Decrease) in creditors	(49,570)		(22,172)
	£148,585		£549,453

WEARWELL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 1999

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 1999

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:

	1999	1998
Depreciation of tangible fixed assets held under finance lease agreements	-	(980)
Depreciation of owned tangible fixed assets	64,781	65,592
Directors' remuneration	29,500	32,112
Directors pension contributions	1,769	4,524
Staff costs	1,329,374	1,311,962
Auditors' remuneration	7,500	7,500
Leasing charges - other	22,124	27,160
- property	54,920	53,506
Rental income	(5,850)	(2,813)
	<u> </u>	<u> </u>

WEARWELL (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 1999

4. INTEREST PAYABLE	1999	1998
On bank loans, overdrafts and other loans repayable within 5 years	-	147
On bank loans repayable after more than 5 years	18,857	21,799
Finance lease interest	-	3,285
Bank interest received	(10,919)	(12,236)
	<u>£ 7,938</u>	<u>£12,995</u>

5. STAFF COSTS

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

Production and sales	98	105
Management and administration	<u>14</u>	<u>15</u>
	112	120

The aggregate payroll costs of these persons were as follows:

Wages and salaries (including directors)	1,228,211	1,214,547
Social security costs	99,954	102,971
Pension costs	27,772	29,374
Health insurance	<u>4,706</u>	<u>1,706</u>
	<u>£1,360,643</u>	<u>£1,348,598</u>

6. TAXATION

The taxation charge for the year comprises:

UK corporation tax @ 20% - current year	57,679	100,000
- previous year	(7,073)	(8,718)
	<u>£50,606</u>	<u>£ 91,282</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 1999

7. TANGIBLE FIXED ASSETS

COST	Freehold Property	Motor Vehicles	Office Equipment	Plant & Machinery	TOTAL
At 1st January 1999	435,000	108,802	88,336	108,267	740,405
Additions	-	31,511	7,539	37,286	76,336
Disposals	-	(20,425)	-	-	(20,425)
At 31st December 1999	£435,000	£119,888	£95,875	£145,553	£796,316
DEPRECIATION					
At 1st January 1999	44,587	60,726	71,795	57,359	234,467
Charge for year	13,043	16,715	19,000	16,023	64,781
Eliminated on disposal	-	(5,598)	-	-	(5,598)
At 31st December 1999	£57,630	£71,843	£90,795	£73,382	£293,650
NET BOOK VALUE					
At 31st December 1999	£377,370	£48,045	£5,080	£72,171	502,666
At 31st December 1998	£390,413	£48,076	£16,541	£50,908	£505,938
Included in the above are assets held under finance leases contracts with a net book value of:					
At 31st December 1999	£ -	£ -	£ -	£ -	£ -
At 31st December 1998	£ -	£9,674	£ -	£ -	£9,674

8. STOCKS

	1999	1998
Raw materials and consumables	159,349	218,075
Goods for resale	440,023	503,243
Work in progress	372,789	146,004
	£972,161	£867,322

WEARWELL (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31ST DECEMBER 1999**

9. DEBTORS: Amounts falling due within one year	1999	1998
Trade debtors	1,581,170	1,574,744
Prepayments and accrued income	46,676	50,592
ACT recoverable	<u>-</u>	<u>9,973</u>
	<u>£1,627,846</u>	<u>£1,635,309</u>
10. CREDITORS: Amounts falling due within one year		
Bank loan and overdraft	25,948	21,688
Trade creditors	431,658	524,097
Taxation and social security	164,714	193,250
Corporation tax	57,679	100,000
Accruals	348,910	277,505
Finance lease obligations	-	16,719
Dividends payable	17,436	39,891
ACT payable	<u>-</u>	<u>9,972</u>
	<u>£1,046,345</u>	<u>£1,183,122</u>

Dividends payable represents the redeemable preference share dividend due for payment at 31 December 1999 and the "A" ordinary share dividend.

11. CREDITORS: Amounts falling due after more than one year		
Bank loan	<u>£164,804</u>	<u>£194,101</u>
Payable by instalments 2-5 years	86,752	86,752
Payable by instalments over 5 years	<u>78,052</u>	<u>107,349</u>
	<u>£164,804</u>	<u>£194,101</u>

WEARWELL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 1999

12. SECURED LIABILITIES **1999** **1998**

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

Finance lease	-	16,719
Bank loan	<u>186,492</u>	<u>215,789</u>
	<u>£186,492</u>	<u>£232,508</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 **1999** **1998**

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
134,285 (1998: 201,428) Redeemable Preference shares of 1p each	<u>1,342</u>	<u>2,013</u>
	<u>£215,628</u>	<u>£216,299</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.

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.

WEARWELL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 1999

13. CALLED UP SHARE CAPITAL - CONTINUED

"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

	1999		1998	
	Equity	Non-equity	Equity	Non-Equity
Opening shareholders funds	1,855,285	2,013	1,693,607	2,686
Result for the financial year	150,566	16,785	257,970	23,498
Share redemption	-	(671)	-	(671)
Share premium account	(66,472)	-	(66,472)	-
Dividends paid	(17,436)	(16,785)	(29,820)	(23,500)
	<u>£1,921,943</u>	<u>£ 1,342</u>	<u>£1,855,285</u>	<u>£ 2,013</u>

15. DIVIDENDS

	1999	1998
Preference dividend paid and payable on 201,428 (1998: 268,571) shares @ £0.05p per share	10,071	13,428
Preference dividend payable on 134,285 (1998: 201,428) shares @ £0.05p per share	6,714	10,072
Ordinary "A" £1 share dividend payable on 64,286 shares @ £0.271p (1998: £0.464p)	<u>17,436</u>	<u>29,820</u>
	<u>£34,221</u>	<u>£53,320</u>

16a. RESERVES – Profit & Loss Account

At 1st January 1999	747,546	520,740
Result for the year	133,130	228,148
Transfer to capital redemption reserve	(671)	(1,342)
At 31st December 1999	<u>£880,005</u>	<u>£747,546</u>

16b. CAPITAL REDEMPTION RESERVE

As at 31st December 1998	1,342	1,342
Transfer from profit and loss account	<u>671</u>	<u>-</u>
At 31 st December 1999	<u>£2,013</u>	<u>£1,342</u>

WEARWELL (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 1999

17. TRANSACTIONS INVOLVING DIRECTORS

During the year under review the company engaged in arms length contracts to the value of £96,300(1998: £99,400) 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

	1999	1998
Capital reserve as at 31st December 1998		
and at 31st December 1999	£692,696	£692,696

19. COMMITMENTS & AUTHORISATIONS NOT PROVIDED

At 31st December 1999 the company had the following other commitments in respect of operating leases and redemption of share capital.

OPERATING LEASE LIABILITIES	1999	1998
Within one year		
Other	£ -	£21,550
Within two to five years		
Property	53,000	53,000
Other	-	4,546
	£53,000	£57,546

Redeemable Preference Shares

Redeemable preference shares are redeemed by five annual instalments, the fourth tranche is due for redemption at 30th June 2000:

	1999	1998
Within one year	£67,143	£67,143
Within two to five years	£67,143	£134,286

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.