Trutex plc (formerly Vermilion plc)

Report and Accounts

31 December 2002

Registered No: 3097495

Directors

T A E W Wardale
D I Storey
L J Hydleman

Secretary

D I Storey

Auditors

Ernst & Young LLP
100 Barbirolli Square
Manchester
M2 3EY

Bankers

HSBC plc
1 St Peter's Street
Derby
DE1 2AE

Solicitors

DLA
101 Barbirolli Square
Manchester
M2 3DL

Registered Office

Jubilee Mill
Taylor Street
Clitheroe
BB7 1NL

ERNST & YOUNG

Directors' Report

The directors present their report and the Group accounts for the year ended 31 December 2002.

Results and dividends

The Group profit for the year, after taxation, amounted to £200,000 (2001: loss of £1,744,000). The 2001 result included the loss on disposal of the Corporatewear business which amounted to £1,335,000.

Preference dividends of £533,000 (2001: £533,000) have been appropriated, but not declared (note 9). The Group's retained loss of £333,000 (2001: £2,277,000) has been taken to reserves.

Principal activities and review of the business

The Group's principal activity during the period continued to be the supply of clothing for the schoolwear market.

As noted in last year's report, the Group achieved an exit from the loss-making Corporatewear business in 2001 and the directors are pleased to report real progress in the trading fortunes of the business in 2002. The turnover of the continuing schoolwear business increased by 10.2% and the Group made a welcome return to profit, strengthening the balance sheet by £200,000 in the year.

The directors aim to build on this result in 2003 and the Group has recently added two new brands (Trutex Kids and Truvalue) to compliment the Trutex brand and target other sectors of the schoolwear market. The early results are promising and we expect to report further financial progress in 2003.

Disabled employees

The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled it is the Group's policy wherever possible to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Employee involvement

During the year, the policy of providing employees with information about the Company has been continued. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

Policy and practice on payment of creditors

In view of the diversity of the supply base the Group does not have a standard code, which deals specifically with payment of creditors.

Terms are agreed with suppliers along with other terms and conditions of supply contracts and payments are made in accordance with these arrangements.

Directors' Report

Directors and their interests

The directors are as shown on page 1, all of whom were in office for the entire year apart from L J Hydleman who was appointed on 27 May 2003. They had the following interests in the share capital of the company:-

Share options	*50p ordinary shares*		*£1 ordinary shares*	
	Granted	*Exercised*	*Granted*	*Exercised*
	No.	*No.*	*No.*	*No*
T A E W Wardale	85,038	-	-	-

No options were granted or exercised during the year, and there have been no changes in directors since the year end.

Auditors

Ernst & Young LLP will be put forward for reappointment at the forthcoming Annual General Meeting.

For and on behalf of the Board

D I Storey
Secretary

23 July 2003

Statement of Directors' Responsibilities in Respect of the Accounts

Company law requires the directors to prepare accounts 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 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; and
- 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 the accounts comply with the above requirements.

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 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.

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Independent auditors' report

to the members of Trutex plc (formerly Vermilion plc)

We have audited the Group's accounts for the year ended 31 December 2002 which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Total Recognised Gains and Losses, Reconciliation of Movements in Consolidated Shareholders' Funds, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Cash Flow Statement and the related notes 1 to 23. These accounts have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the Company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the 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 2002 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Manchester
30/7/03

Consolidated Profit and Loss Account

for the year ended 31 December 2002

		Notes	2002 £000	2001 £000
Turnover	– continuing operations		11,356	10,214
	– discontinued operations		-	5,325
		2	11,356	15,539
Cost of sales		3c	6,687	10,326
Gross profit			4,669	5,213
Distribution costs		3c	1,466	1,474
Administrative expenses		3c	2,814	3,904
Operating profit/(loss)	– continuing operations		389	46
	– discontinued operations		-	(211)
		3a	389	(165)
Loss on disposal of business		3b	-	(1,335)
Profit/(loss) before interest and tax			389	(1,500)
Interest payable and similar charges		7	189	244
Profit/(loss) on ordinary activities after taxation			200	(1,744)
Tax on profit/(loss) on ordinary activities		8	-	-
Profit/(loss) on ordinary activities after taxation			200	(1,744)
Appropriations – unpaid preference dividends		9	(533)	(533)
Loss transferred to reserves			(333)	(2,277)

Consolidated Statement of Total Recognised Gains and Losses

for the year ended 31 December 2002

There are no recognised gains and losses other than the profit for the current year and the loss for the prior year as shown above.

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Reconciliation of Movements in Consolidated Shareholders' Funds

for the year ended 31 December 2002

	2002 £000	2001 £000
Profit/(loss) for the financial year	200	(1,744)
Appropriations – unpaid preference dividends	(533)	(533)
Unpaid preference dividends	533	533
Shareholders' funds at 1 January	819	2,563
Shareholders' funds at 31 December	1,019	819

Consolidated Balance Sheet

at 31 December 2002

	Notes	2002 £000	2001 Restated* £000
Fixed assets			
Tangible assets	10	928	950
Current assets			
Stocks	12	1,816	1,867
Debtors	13	606	666
Cash at bank and in hand		2	-
		2,424	2,533
Creditors: amounts falling due within one year	14	(2,156)	(2,266)
Net current assets		268	267
Total assets less current liabilities		1,196	1,217
Creditors: amounts falling due after more than one year	15	-	(55)
Provisions for liabilities and charges	18	(177)	(343)
		1,019	819
Capital and reserves			
Called up share capital	19	5,080	5,080
Share premium account	20	2,809	2,809
Profit and loss account	20	(6,870)	(7,070)
Shareholders' funds:			
Equity		(9,221)	(8,888)
Non-equity - A preference		4,860	4,567
- B preference		5,380	5,140
		1,019	819

** The analysis of non-equity shareholders' funds has been amended as disclosed in note 1.*

Approved by the Board on 23 July 2003

D I Storey
Director

Company Balance Sheet
at 31 December 2002

	Notes	2002 £000	2001 Restated* £000
Fixed assets			
Tangible assets	10	928	950
Current assets			
Stocks	12	1,816	1,867
Debtors	13	606	666
Cash at bank and in hand		2	-
		2,424	2,533
Creditors: amounts falling due within one year	14	(3,230)	(3,340)
Net current liabilities		(806)	(807)
Total assets less current liabilities		122	143
Creditors: amounts falling due after more than one year	15	-	(55)
Provisions for liabilities and charges	18	(177)	(343)
		(55)	(255)
Capital and reserves			
Called up share capital	19	5,080	5,080
Share premium account	20	2,809	2,809
Profit and loss account	20	(7,944)	(8,144)
Shareholders' funds:			
Equity		(10,295)	(9,962)
Non-equity - A preference		4,860	4,567
- B preference		5,380	5,140
		(55)	(255)

* *The analysis of non-equity shareholders' funds has been amended as disclosed in note 1.*

Approved by the Board on 23 July 2003

D I Storey
Director

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Consolidated Cash Flow Statement

for the year ended 31 December 2002

	Notes	2002 £000	2001 £000
Net cash inflow from operating activities	4	340	608
Returns on investments and servicing of finance			
Interest paid		(187)	(239)
Interest element of finance lease rental payments		(2)	(5)
		(189)	(244)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(136)	(315)
Receipt from sale of fixed assets		3	-
		(133)	(315)
Acquisitions and disposals			
Proceeds from sale of business (net of costs)		-	702
Net overdrafts transferred with business		-	1,160
		-	1,862
Net cash inflow before financing		18	1,911
Financing			
Repayments of capital element of finance leases and hire purchase contracts	16	(51)	(150)
(Decrease)/increase in cash		(33)	1,761

Reconciliation of net cash flow to movement in net debt

	Notes	2002 £000	2001 £000
(Decrease)/increase in cash		(33)	1,761
Repayments of capital element of finance leases and hire purchase contracts	16	51	150
Change in net debt resulting from cash flows	21	18	1,911
Other movements		-	168
Movement in net debt in the period		18	2,079
Net debt at 1 January	21	(1,562)	(3,641)
Net debt at 31 December	21	(1,544)	(1,562)

Notes to the Accounts

at 31 December 2002

1. Accounting policies

Basis of preparation

The accounts are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

The Group's principle borrowing facilities have been agreed to December 2003. New facilities are to take effect from 1st January 2004.

In preparing accounts for the current year, the Group has adopted FRS 19 'Deferred Tax'. The adoption of FRS 19 has resulted in a change in accounting policy for deferred tax. Deferred tax is recognised on a full provision basis in accordance with the accounting policy described below. Previously, deferred tax was provided for on a partial provision basis, whereby provision was made on all timing differences to the extent that they were expected to reverse in the future without replacement. This change in accounting policy has not had any impact on the results or financial position of the Group or Company.

Restatement

The accounts have been restated to amend the analysis between equity and non-equity shareholders' funds on the face of the consolidated and company balance sheets. The unpaid preference dividends for 2001 had not been attributed to non-equity shareholders' funds. As a result, non-equity shareholders' funds were understated by £533,000 and equity shareholders' funds were overstated by the same amount. This has now been corrected.

Basis of consolidation

The Group accounts consolidate the accounts of Trutex plc and all its subsidiary undertakings drawn up to 31 December each year. No profit and loss account is presented for Trutex plc as permitted by section 230 of the Companies Act 1985.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land and assets not in use at the year end, at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life as follows:

Freehold and long leasehold buildings	-	over 50 years
Motor vehicles	-	over 5 years
Electronic office equipment	-	over 4 to 5 years
Other plant and machinery	-	over 4 to 10 years

Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value, as follows:

Raw materials, consumables and goods for resale	-	purchase cost on a first-in, first-out basis.
Work in progress and finished goods	-	cost of direct materials and labour plus attributable overheads based on the normal level of activity.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Notes to the Accounts

at 31 December 2002

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward exchange contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account.

Leasing and hire purchase commitments

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 paid under operating leases are charged to income on a straight line basis over the term of the lease.

Pensions

The Group operates a defined benefit pension scheme which requires contributions to be made to a separately administered fund. The scheme was closed to future benefit accrual from July 2001. Following the significant reduction in the number of employees as a result of the disposal of the Corporatewear business, the deficit relating to that business was recorded immediately. The remaining cost is charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives within the Group.

Notes to the Accounts

at 31 December 2002

2. Turnover and segmental analysis

Turnover represents the amounts derived from the provision of goods and services which fall within the Group's ordinary activities, stated net of value added tax.

The Group has one principal activity, the supply of clothing. All of the Group's activities are based in the UK. It sells to three geographical markets, the United Kingdom, other European countries and non-European countries. The source of all turnover is the United Kingdom and all net assets are held in the United Kingdom.

	2002	*2001*
	£000	*£000*
United Kingdom	11,173	15,412
Other Europe	56	51
Other	127	76
	11,356	15,539

3. Operating profit/(loss)

(a) This is stated after charging:

	2002	*2001*
	£000	*£000*
Auditors' remuneration –audit services	25	20
– non-audit services	10	19
Depreciation of owned assets	126	150
Depreciation of assets held under finance leases	32	42
Operating lease rentals – land and buildings	-	65
– plant and machinery	108	136

(b) Exceptional items

During 2001 the Group's Corporatewear business was disposed of generating a loss after expenses of £1,335,000. This amount included an allocation of the deficit on the Group's defined benefit pension scheme.

(c) Analysis of results between continuing and discontinued operations

All of the 2002 results relate to continuing operations. The prior year results can be analysed as follows:

		2001	
	Continuing	*Discontinued*	*Total*
	£000	*£000*	*£000*
Turnover	10,214	5,325	15,539
Cost of sales	(6,292)	(4,034)	(10,326)
	3,922	1,291	5,213
Distribution costs	(1,090)	(384)	(1,474)
Administrative expenses	(2,786)	(1,118)	(3,904)
Operating profit/(loss)	46	(211)	(165)

Notes to the Accounts

at 31 December 2002

4. Reconciliation of operating loss to net cash inflow from operating activities

	2002 £000	2001 £000
Operating profit/(loss)	389	(165)
Depreciation	158	192
Decrease in stocks	51	1,220
Decrease/(increase) in debtors	60	(80)
Decrease in creditors	(152)	(325)
Increase in other provisions	(166)	(234)
Net cash inflow from operating activities	340	608

5. Directors' emoluments

	2002 £000	2001 £000
Emoluments	199	401

	2002 No.	2001 No.
Members of defined benefit pension schemes	-	-

	2002 £000	2001 £000
Emoluments of highest paid director	101	128

6. Staff costs

	2002 £000	2001 £000
Wages and salaries	1,455	1,892
Social security costs	129	172
Other pension costs	12	75
	1,596	2,139

The average weekly number of employees during the period was 76 (2001: 76).

Notes to the Accounts

at 31 December 2002

7. Interest payable

	2002	*2001*
	£000	*£000*
Bank loans and overdrafts	187	238
Finance charges payable under finance leases and hire purchase contracts	2	6
	189	244

8. Taxation

The tax charge/(credit) comprises:

	2002	*2001*
	£000	*£000*
UK corporation tax	-	-
Deferred taxation	-	-
	-	-

Factors affecting the tax charge/(credit) for the year:

	2002	*2001*
	£000	*£000*
Profit/(loss) on ordinary activities before tax	200	(1,744)
Profit/(loss) on ordinary activities before tax at 30% (2001: 30%)	60	(523)
Effect of:		
Disallowed expenses and non-taxable income	14	264
Capital allowances in excess of depreciation	(57)	(511)
Other timing differences	(55)	99
Tax losses not recognised	38	248
S343 transfer differences tax WDV/NBV	-	423
Current tax charge/(credit) for the period	-	-

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Notes to the Accounts

at 31 December 2002

9. Dividends

	2002	*2001*
	£000	*£000*
Appropriated non-equity cumulative dividends on preference shares:		
A preference shares 8% cumulative	293	293
B preference share 6% cumulative	240	240
	533	533

The Company has not declared any preference dividends in either 2002 or 2001. The dividends are cumulative and may become payable at a later date. The unpaid preference dividends have been shown as an appropriation of profit, and are included in non-equity shareholders' funds.

10. Tangible fixed assets

Group and Company

	Land and buildings	*Plant and machinery*	*Total*
	£000	*£000*	*£000*
Cost:			
At 31 December 2001	703	1,060	1,763
Additions	-	136	136
Disposals	-	-	-
At 31 December 2002	703	1,196	1,899
Depreciation:			
At 31 December 2001	177	636	813
Provided during the year	14	144	158
Disposals	-	-	-
At 31 December 2002	191	780	971
Net book value at 31 December 2002	512	416	928
Net book value at 31 December 2001	526	424	950

Notes to the Accounts

at 31 December 2002

10. Tangible fixed assets (continued)

Included in the amounts for plant and machinery above are the following amounts relating to leased assets and assets acquired under hire purchase contracts:

	£000
Cost:	
At 31 December 2001 and 2002	126
Depreciation:	
At 31 December 2001	48
Depreciation provided during the year	32
At 31 December 2002	80
Net book value at 31 December 2002	46
Net book value at 31 December 2001	78

11. Investments

At 31 December 2001 and 2002, the Company held 100% of the ordinary share capital in the following subsidiary undertakings:

Name of company	*Nature of business*
School Link Clothing Ltd (formerly Compton Webb Limited)	Dormant
Vermilion Corporate Trustee Limited	Trustee
Corporate Xpression Limited	Dormant
Trutex School Link Ltd (formerly KHBN Limited)	Dormant
Connected Clothing Ltd (formerly Trutex Limited)	Dormant

Shares in Trutex plc are held by Vermilion Corporate Trustee Limited, a subsidiary undertaking, on behalf of the Vermilion plc Employee Trust. Vermilion Corporate Trustee Limited is the sole trustee of Vermilion plc Employee Trust, established on 19 February 1997. The directors consider that it is prudent to provide against the carrying value of these shares in full.

The Trust was set up to operate an employee share scheme in order to encourage and facilitate the recruitment, retention and motivation of employees, at the discretion of the trustee. The purchase of the shares at book value was financed by a loan from Trutex plc.

Notes to the Accounts

at 31 December 2002

12. Stocks

	Group and Company	
	2002	*2001*
	£000	*£000*
Raw materials and consumables	28	27
Work in progress	10	5
Finished goods and goods for resale	1,778	1,835
	1,816	1,867

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

13. Debtors

	Group and Company	
	2002	*2001*
	£000	*£000*
Trade debtors	336	400
Other debtors	62	122
Prepayments and accrued income	208	144
	606	666

14. Creditors: amounts falling due within one year

	Group	*Group*	*Company*	*Company*
	2002	*2001*	*2002*	*2001*
	£000	*£000*	*£000*	*£000*
Bank loan and overdraft	1,534	1,499	1,534	1,499
Obligations under finance leases and hire purchase contracts	12	8	12	8
Trade creditors	324	422	324	422
Other taxes and social security costs	36	79	36	79
Accruals	250	258	1,324	1,332
	2,156	2,266	3,230	3,340

The bank loan and overdraft are secured by a fixed and floating charge over the Group's assets.

Notes to the Accounts

at 31 December 2002

15. Creditors: amounts falling due after more than one year

	Group and Company	
	2002	2001
	£000	£000
Obligations under finance leases and hire purchase contracts	-	55

16. Obligations under leases and hire purchase contracts

	Group and Company	
	2002	2001
	£000	£000
Amounts payable:		
Within one year	12	9
Between two and five years	-	58
	12	67
Less: finance charges allocated to future years	-	(4)
	12	63

	£000	£000
Repayable within one year	12	8
Repayable after more than one year	-	55
	12	63

The analysis of changes in finance leasing liabilities during the year is as follows:

	£000	£000
At 1 January	63	309
Capital element of finance lease rental payments	(51)	(150)
Leases transferred on disposal of business	-	(96)
At 31 December	12	63

Notes to the Accounts

at 31 December 2002

17. Operating lease commitments

The Group and Company's annual commitments under non-cancellable operating leases are as follows:

	Land and buildings 2002 £000	*Other 2002 £000*	*Land and buildings 2001 £000*	*Other 2001 £000*
Operating leases which expire:				
Within one year	-	29	-	30
Between two and five years	-	90	-	106
Over five years	-	-	-	-
	-	119	-	136

18. Provisions for liabilities and charges

Deferred Taxation

Deferred taxation provided in the accounts and the amounts not recognised as assets in the accounts are as follows:

Group and Company	*Provided 2002 £000*	*Provided 2001 £000*	*Not recognised 2002 £000*	*Not recognised 2001 £000*
Capital allowances in advance of depreciation	-	-	157	59
Losses	-	-	744	675
Other timing differences	-	-	50	99
	-	-	951	833

The unrecognised deferred tax assets will only become recoverable once the Group generates taxable profits.

Pension provision

	Group and Company £000
At 1 January 2002	343
Utilised	(166)
At 31 December 2002	177

It is expected that the provision will be utilised by January 2004.

Notes to the Accounts

at 31 December 2002

19. Share capital

	2002 and 2001
	£000
Authorised	
Ordinary shares of 50p each	43
Ordinary shares of £1 each	165
Deferred ordinary shares of £1 each	85
'A' ordinary shares of £1 each	464
8% cumulative redeemable 'A' preference shares of £1 each	366
6% cumulative redeemable 'B' preference share of £1 each	5,000
	6,123

	2002 and 2001	
	No.(000)	*£000*
Allotted, called up and fully paid		
Ordinary shares of £1 each	165	165
Deferred ordinary shares of £1 each	85	85
'A' ordinary shares of £1 each	464	464
8% cumulative redeemable 'A' preference shares of 10p each	3,661	366
6% cumulative redeemable 'B' preference share of £1 each	4,000	4,000
	8,375	5,080

	Priority on payment of a dividend	*Priority on return of capital*	*Right to vote*
50p Ordinary	=4th	=4th	Yes
£1 Ordinary	=4th	=4th	Yes
Deferred Ordinary	No entitlement	*5th	No
'A' Ordinary	3rd	3rd	Yes
'A' Preference	1st	1st	No
'B' Preference	2nd	2nd	No

* On the return of capital the deferred ordinary shares are entitled to receive 1p per share after all holders of ordinary shares have received not less than £1,000 per share.

Redemption rights

'A' Preference shares become redeemable at £1 per share on or after the following dates:

	No.
31 December 2000	732,200
31 December 2001	732,200
31 December 2002	732,200
31 December 2003	732,200
31 December 2004	732,200

Notes to the Accounts

at 31 December 2002

19. Share capital (continued)

'B' Preference shares become redeemable at £1 per share on or after the following dates:

	No.
31 December 2002	800,000
31 December 2003	800,000
31 December 2004	800,000
31 December 2005	800,000
31 December 2006	800,000

The 'A' Preference shares, 'B' Preference shares and 'A' Ordinary shares are redeemable immediately if the company becomes listed or there is a change of control.

20. Reserves

Group

	Profit and loss account £000	*Unpaid preference dividends (note 9) £000*	*Balance sheet: profit and loss account £000*	*Share premium £000*
At 1 January 2002	(9,602)	2,532	(7,070)	2,809
Profit for the period	(333)	533	200	-
At 31 December 2002	(9,935)	3,065	(6,870)	2,809

The share premium account arose on the issue of the 'A' preference shares.

Company

	Profit and loss account £000	*Unpaid preference dividends (note 9) £000*	*Balance sheet: profit and loss account £000*	*Share premium £000*
At 1 January 2002	(10,676)	2,532	(8,144)	2,809
Loss for the period	(333)	533	200	-
At 31 December 2002	(11,009)	3,065	(7,944)	2,809

The profit recognised in the accounts of the parent company is £200,000 (2001: £1,744,000 loss).

As set out in note 9, Trutex plc has cumulative preference shares in issue. There are arrears of dividends totalling £3,065,000 (2001: £2,532,000) in respect of these shares. In the opinion of the Directors the likelihood of payment of the arrears and future dividends is remote in view of the substantial deficit on the distributable reserves of Trutex plc.

Notes to the Accounts

at 31 December 2002

21. Analysis of net debt

	At 1 January 2002 £000	*Cash flow £000*	*At 31 December 2002 £000*
Cash at bank and in hand	-	2	2
Bank overdrafts	(1,499)	(35)	(1,534)
Cash	(1,499)	(33)	(1,532)
Finance leases	(63)	51	(12)
	(1,562)	18	(1,544)

22. Contingent liability

The company has given guarantees in favour of HM Customs & Excise of £125,000 (2001: £125,000).

23. Pension commitments

(a) SSAP24

The Group operates the Vermilion plc Pension Scheme which is a defined benefit pension scheme. The scheme is funded by the payment of contributions to separately administered trust funds.

The pension costs are determined with the advice of independent qualified actuaries on the basis of triennial valuations using the Minimum Funding Requirement method. The market value of the scheme's assets at the date of the most recent valuation, which was conducted as at 1 April 2000, were £6.14 million. The main assumptions used in valuing the scheme were:

	% per annum
Rate of return on investments	8.5
Rate of salary increases	6.9
Rate of pension increases	4.3 – 5

The scheme was 89% funded at the valuation date on the basis of the Minimum Funding Requirement of the Pensions Act 1995. The contributions made by the employer over the financial year were equivalent to 13.4% of Pensionable Salaries for the period prior to the end of July 2001 when all benefit accrual ceased plus additional payments of £14,800 each month throughout the year to fund the deficit in the scheme. The monthly additional contributions are expected to continue for a period of five years but will be reviewed at the next actuarial valuation.

The pension cost recorded in the profit and loss account for the year was £12,000 (2001: £596,000). The 2001 charge included £510,000 recognised as part of the loss on disposal of the Corporatewear business.

Notes to the Accounts

at 31 December 2002

23. Pension commitments (continued)

(b) FRS17

In accordance with the transitional arrangements of the new accounting standard the assets and liabilities of the Scheme have been reviewed as at 31 December 2002 and recalculated in accordance with the requirements of FRS 17. The following principal actuarial assumptions have been applied:

	% per annum	
	2002	*2001*
Inflation	2.50	2.75
Salary increases	Not applicable	
Rate of discount	5.75	6.00
Pension in payment increases	As guaranteed	
Revaluation rate for deferred pensioners	2.50	2.75

On this basis, the illustrative balance sheet figures are as follows:

	Fair value		*Expected return*	
	2002	*2001*	*2002*	*2001*
	£000	*£000*	*%*	*%*
Assets				
Equities	2,925	4,022	7.00	7.00
Bonds	1,955	1,534	5.25	5.25
Cash	20	76	4.00	4.00
Total assets	4,900	5,632		
Liabilities	(7,594)	(7,058)		
Deficit	(2,694)	(1,426)		

The impact on balance sheet net assets and the Group's profit and loss account reserve is as follows:

	2002	*2001*
	£000	*£000*
Net assets before FRS 17 adjustment (excluding SSAP 24)	1,196	1,162
FRS 17 adjustment	(2,694)	(1,426)
Net liabilities after FRS 17 adjustment	(1,498)	(264)

	2002	*2001*
	£000	*£000*
Profit and loss account reserve before FRS 17 adjustment (excluding SSAP 24)	(6,693)	(6,727)
FRS 17 adjustment	(2,694)	(1,426)
Profit and loss account reserve after FRS 17 adjustment	(9,387)	(8,153)

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Notes to the Accounts

at 31 December 2002

23. Pension commitments (continued)

Analysis of pro forma charges to operating profit:

	2002 £000
Current service cost	-
Past service cost	-
Total pro forma charge to operating profit	-

Analysis of pro forma charge to other finance costs:

	2002 £000
Expected return on pension assets	(364)
Interest on pension scheme liabilities	416
Total pro forma net charge to finance costs	52

Analysis of the pro forma amount recognised in the statement of total recognised gains and losses:

	2002 £000
Difference between the expected and actual return on scheme assets	(1,136)
Experience gains and (losses) arising on the scheme liabilities	(198)
Changes in assumptions underlying the present value of the scheme liabilities	(60)
Pro forma loss recognised in the STRGL before adjustment for tax	(1,394)

Analysis of the movement in deficit in the scheme in the year:

	2002 £000
Deficit in the scheme at the start of the year (excluding deferred tax asset)	(1,426)
Current service cost	-
Contributions paid	178
Past service cost	-
Other financial charges	(52)
Actuarial loss	(1,394)
Deficit in the scheme at the end of the year (excluding deferred tax asset)	(2,694)

Notes to the Accounts

at 31 December 2002

23. Pension commitments *(continued)*

History of experience gains and losses

	2002
	£000
Difference between the expected and actual return on assets	(1,136)
Percentage of scheme assets at the end of the year	(23.2)%
Experience losses arising on the scheme liabilities	(198)
Percentage of scheme liabilities at the end of the year	(2.6)%
Total amount recognised in the statement of total recognised (gains) and losses	(1,394)
Percentage of scheme liabilities at the end of the year	(18.4)%