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**BANNER LIMITED**  
**FINANCIAL STATEMENTS**  
for the fifty-two weeks ended  
26 October 2003



**BANNER LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE FIFTY-TWO WEEKS ENDED 26 OCTOBER 2003**

**Contents**

	<b>Page</b>
Directors' report	1-2
Statement of directors' responsibilities	3
Report of the independent auditors to the members	4
Profit and loss account	5
Balance sheet	6
Notes	7-15

The following pages do not form part of the statutory accounts:

Detailed trading and profit and loss account	Appendix 1
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## BANNER LIMITED

### Directors

F W Wood (Chairman)  
 N R Carrick  
 G Hocking  
 P A Scates  
 I T Parrott  
 G R Parton  
 H G Wilder

### DIRECTORS' REPORT

The directors submit their annual report and the audited financial statements of the company for the fifty-two weeks ended 26 October 2003 ("the year").

#### Business review

The principal activity of the company continues to be the design, manufacture and distribution of clothing.

The trading results for the year are shown in the profit and loss account on page 5.

The directors recommend the payment of a final dividend of £169,000 (2002: £nil)

The company's future development will be in its current and similar products in which there appear to be opportunities.

#### Directors

The membership of the Board is shown above. All served on the Board for the whole of the year, with the exception of Mr Wilder who was appointed as a director on the 1 November 2002. Mr A Thomas resigned as a director on 30 September 2003.

#### Directors' shareholdings

None of the directors has any beneficial interest in the share capital of the company. The interests of Messrs F W Wood and N R Carrick in the share capital of Cosalt plc, the ultimate parent company, are disclosed by that company.

The interests of the other directors in the ordinary share capital of Cosalt plc are as follows:

	At 26 October 2003	At 27 October 2002
H G Wilder	Nil	Nil
G Hocking	Nil	Nil
P A Scates	Nil	Nil
I T Parrott	Nil	Nil
G R Parton	3,902	3,902

These holdings include shares issued under the Cosalt plc Employees' Profit Sharing Scheme.

**DIRECTORS' REPORT (continued)**

The market price of Cosalt plc ordinary shares at 26 October 2003 was 338.0p and the range during the year was 256.0p to 367.5p.

**Fixed assets**

The movement in tangible fixed assets are set out in note 9 to the financial statements. In note 17 to the financial statements additional information is provided on assets used by the company which are subject to lease and hire purchase agreements.

**Payment policy**

It is the policy of the company to establish terms of payment with suppliers when agreeing the terms of business.

The aim is to despatch cheques to settle undisputed accounts on the due date, or where other means of payment are used, to deliver funds as if payment had been made by cheque.

The number of days' purchases outstanding at the end of the year was 61 days (2002: 61 days).

**Auditors**

The auditors, KPMG Audit Plc, have expressed their willingness to continue in office. In accordance with Section 384 of the Companies Act 1985, a resolution for their re-appointment will be proposed at the Annual General Meeting.

By order of the Board

A J Robson  
Secretary

Fish Dock Road  
GRIMSBY



16 July 2004

**BANNER LIMITED****STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the year, 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 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 financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the company will continue in business.

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 financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**REPORT OF THE INDEPENDENT AUDITORS, KPMG AUDIT PLC TO THE MEMBERS OF  
BANNER LIMITED**

We have audited the financial statements on pages 5 to 15.

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 auditor's 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**

The directors are responsible for preparing the directors' report and as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities as independent auditors are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements 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 financial statements, 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 company is not disclosed.

**Basis of audit 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 as at 26 October 2003, and of its profit for the fifty-two weeks then ended, and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
Leeds

16 July 2004

**BANNER LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE FIFTY-TWO WEEKS ENDED 26 OCTOBER 2003**

		52 weeks ended 26 October 2003	52 weeks ended 27 October 2002
	Note	£	£
Turnover	2	<u>20,867,025</u>	<u>21,283,580</u>
Operating profit	3	959,900	936,524
Interest payable and similar charges (net)	4	<u>533,836</u>	<u>555,600</u>
Profit on ordinary activities before taxation		426,064	380,924
Taxation on ordinary activities	6	<u>(132,311)</u>	<u>(144,890)</u>
Profit for the financial year		293,753	236,034
Dividends	7	<u>169,000</u>	—
Transferred to reserves	16	<u>124,753</u>	<u>236,034</u>

All operations are classed as continuing.

The company has no recognised gains or losses other than the profits for the years disclosed above; accordingly, a statement of recognised gains and losses has not been included in these financial statements.

The notes on pages 7 to 15 form part of these financial statements.

## BANNER LIMITED

## BALANCE SHEET – 26 OCTOBER 2003

	Note	26 October 2003		27 October 2002	
		£	£	£	£
<b>Fixed assets</b>					
Intangible assets – goodwill	8		153,050		176,789
Tangible fixed assets	9		714,278		760,233
Investments	10		<u>16</u>		<u>16</u>
			867,344		937,038
<b>Current assets</b>					
Stocks	11	4,142,822		3,625,672	
Debtors	12	4,066,828		3,833,388	
Bank and cash balances		<u>6,188</u>		<u>55,009</u>	
		8,215,838		7,514,069	
<b>Creditors</b>					
Amounts falling due within one year	13	<u>7,961,256</u>		<u>7,429,577</u>	
<b>Net current assets</b>			<u>254,582</u>		<u>84,492</u>
<b>Total assets less current liabilities</b>			1,121,926		1,021,530
<b>Creditors</b>					
Amounts falling due after more than one year	13	-		4,357	
Provision for liabilities and charges	14	<u>243,500</u>	<u>(243,500)</u>	<u>263,500</u>	<u>(267,857)</u>
<b>Net assets</b>			<u>878,426</u>		<u>753,673</u>
<b>Capital and reserves</b>					
Called up share capital	15		500,000		500,000
Profit and loss account	16		<u>378,426</u>		<u>253,673</u>
<b>Equity shareholders' funds</b>	16		<u>878,426</u>		<u>753,673</u>

Approved by the Board on 16 July 2004

N R Carrick - Director



The notes on pages 7 to 15 form part of these financial statements.



## NOTES ON FINANCIAL STATEMENTS – 26 OCTOBER 2003

**1 Accounting policies****Basis of accounting**

The financial statements are prepared in accordance with applicable accounting standards and under the historical cost convention.

The company has taken advantage of the exemption from preparing a cash flow statement conferred by Financial Reporting Standard No. 1 on the grounds that it is a wholly owned subsidiary undertaking of a parent undertaking which publishes a consolidated cash flow statement.

**Depreciation**

Tangible fixed assets are depreciated on a straight line basis at annual rates which vary depending on the type of asset but which are generally:

Freehold buildings	2%
Leasehold buildings	over term of lease
Plant and machinery	10 to 33.3%

**Leased assets**

Assets which are financed by leasing agreements transferring substantially all the risks and rewards of ownership (finance leases) are capitalised and depreciated over their useful lives. The liability to the leasing company is included in creditors. Leasing payments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account. All other payments under lease agreements are charged in full to the profit and loss account.

**Stocks**

Stocks are stated at the lower of cost, including an appropriate proportion of production overheads, and net realisable value.

**Deferred taxation**

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is recognised, without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

**Pension costs**

Contributions to the Group's defined benefit pension schemes are charged to the profit and loss account so as to spread the cost of the pensions over the employees' service lives.

For defined contribution schemes all contributions are charged directly to the profit and loss account in the years in which they are payable.

**Foreign currency**

Assets and liabilities in foreign currencies are translated into sterling at approximate rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. All exchange differences arising are included in the profit and loss account for the year.

## BANNER LIMITED

## NOTES ON FINANCIAL STATEMENTS – 26 OCTOBER 2003

(continued)

**1 Accounting policies (continued)****Goodwill**

Goodwill has arisen following the acquisitions of the trade names of Johnscraft Ltd and also Michael De Leon Ltd.

The economic benefit of the goodwill arising has been estimated by the directors as being 10 years and as such the goodwill has been taken to the profit and loss account over that year.

The carrying value of goodwill is reviewed as necessary for impairment and written down if impairment is identified.

**2 Turnover**

Turnover represents the goods and services, excluding value added tax, invoiced to customers. The principal activity of the company is the design, manufacture and distribution of clothing, and the geographical analysis of turnover by destination is as follows:

	2003 £	2002 £
United Kingdom	20,327,071	20,874,095
Overseas	<u>539,954</u>	<u>409,485</u>
	<u>20,867,025</u>	<u>21,283,580</u>

All turnover originated in the United Kingdom.

**3 Operating profit**

Operating profit has been arrived at after charging/(crediting):

	2003 £	2002 £
Movement in stocks of finished goods and work in progress	(442,726)	162,418
Raw materials and consumables	12,126,979	12,138,618
Other external charges	2,974,209	3,134,450
Auditors' remuneration	19,498	25,041
Operating lease charges - property	343,259	390,731
- plant	63,640	66,107
Staff costs (note 5)	4,080,565	4,074,865
Depreciation on owned assets	160,267	166,900
Depreciation on assets held under finance leases and hire purchase agreements	28,995	46,703
Amortisation of goodwill	23,739	46,323
Other operating income	-	-
Other operating charges	<u>528,700</u>	<u>94,900</u>
	<u>19,907,125</u>	<u>20,347,056</u>

## BANNER LIMITED

NOTES ON FINANCIAL STATEMENTS – 26 OCTOBER 2003  
(continued)

## 4 Interest payable and similar charges (net)

	2003 £	2002 £
Bank interest	1,931	166,017
Capital charge by parent company	528,700	380,400
On finance leases and hire purchase agreements	<u>4,606</u>	<u>10,492</u>
	535,237	556,909
Interest received	<u>(1,401)</u>	<u>(1,309)</u>
	<u>533,836</u>	<u>555,600</u>

## 5 Directors and employees

	2003 £	2002 £
Staff costs:		
Wages and salaries	3,641,466	3,597,876
Social security costs	294,673	298,247
Other pension costs	<u>144,426</u>	<u>178,742</u>
	<u>4,080,565</u>	<u>4,074,865</u>

Emoluments of the directors of the company were:

Remuneration for management:	<u>278,087</u>	<u>356,164</u>
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Remuneration of the highest paid director for 2003 was £117,102 (2002: £120,246) including £9,059 (2002: £14,116) of pension contributions.

	Number	Number
The number of directors accruing benefits under defined benefit pension schemes in respect of qualifying service was:	5	6
The number of directors exercising share options in respect of Cosalt plc shares during the year was:	2	-
The number of directors granted share options in respect of Cosalt plc shares during the year was:	2	3
The average number of employees of the company during the year was:		
Management and administration	98	98
Production and sales staff	<u>173</u>	<u>165</u>
	<u>271</u>	<u>263</u>

## BANNER LIMITED

**NOTES ON FINANCIAL STATEMENTS – 26 OCTOBER 2003**  
(continued)

<b>6 Taxation on ordinary activities</b>	<b>2003</b>	<b>2002</b>
The taxation charge based on the profit on ordinary activities is:		
UK Corporation tax at 30% (2002: 30%)	140,250	139,250
Deferred taxation	<u>5,741</u>	<u>3,186</u>
	145,991	142,436
Adjustments in respect of prior years:		
Corporation tax	(62,000)	101,062
Deferred taxation	<u>48,320</u>	<u>(98,608)</u>
	<u>132,311</u>	<u>144,890</u>

Factors affecting the current tax charge.

The tax assessed on the profit on ordinary activities for the year is lower (2002: higher) than the standard rate of corporation tax in the UK of 30% (2002: 30%)

The differences are reconciled below:

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Profit on ordinary activities before tax	<u>426,064</u>	<u>380,924</u>
Tax at current UK Corporation tax rate of 30% (2002: 30%)	127,819	114,277
Effects of:		
Expenses not deductible for tax purposes		
Goodwill written off	7,122	13,897
Other	11,050	14,262
Timing differences between capital allowances and depreciation	(5,161)	(13,752)
Short term timing differences	(580)	10,566
Adjustments to tax charge in respect of previous periods	<u>(62,000)</u>	<u>101,062</u>
Current tax charge for year	<u>78,250</u>	<u>240,312</u>

<b>7 Dividends</b>	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Final dividend proposed of 33.8p per share (2002: nil)	<u>169,000</u>	<u>-</u>

## BANNER LIMITED

**NOTES ON FINANCIAL STATEMENTS – 26 OCTOBER 2003**  
(continued)

**8 Intangible assets - goodwill**

	<b>Goodwill £</b>
<b>Cost</b>	
At 27 October 2002	247,389
Written off	<u>(10,000)</u>
At 26 October 2003	<u>237,389</u>
<b>Amortisation</b>	
At 27 October 2002	70,600
Amount charged to profit and loss account	23,739
Written off	<u>(10,000)</u>
At 26 October 2003	<u>84,339</u>
At 26 October 2003	<u>153,050</u>
At 27 October 2002	<u>176,789</u>

Goodwill arising on the acquisition of trading assets and liabilities of the Johnscraft and Michael De Leon businesses is being amortised over 10 years. In the opinion of the directors this represents a prudent estimate of the years over which the group will derive economic benefit of the assets acquired.

Negative goodwill arising on the acquisition of trading assets and liabilities of the Banner and Beau Brummel divisions of Baird Textile Holdings plc has been fully amortised.

**9 Tangible fixed assets**

	<b>Short term leasehold property £</b>	<b>Plant and machinery £</b>	<b>Total £</b>
<b>Cost</b>			
At 27 October 2002	350,041	1,221,919	1,571,960
Additions	-	149,939	149,939
Group transfers	-	24,835	24,835
Disposals	<u>-</u>	<u>(63,143)</u>	<u>(63,143)</u>
At 26 October 2003	<u>350,041</u>	<u>1,333,550</u>	<u>1,683,591</u>
<b>Depreciation</b>			
At 27 October 2002	112,160	699,567	811,727
Charged to profit and loss account	21,308	167,954	189,262
Group transfers	-	18,483	18,483
Eliminated in respect of disposals	<u>-</u>	<u>(50,159)</u>	<u>(50,159)</u>
At 26 October 2003	<u>133,468</u>	<u>835,845</u>	<u>969,313</u>

## BANNER LIMITED

NOTES ON FINANCIAL STATEMENTS - 26 OCTOBER 2003  
(continued)

## 9 Tangible fixed assets (continued)

	Short term leasehold property £	Plant and machinery £	Total £
<b>Net book values</b>			
At 26 October 2003	<u>216,573</u>	<u>497,705</u>	<u>714,278</u>
At 27 October 2002	<u>237,881</u>	<u>522,352</u>	<u>760,233</u>

Assets costing £212,929 (2002: £130,089) have been fully depreciated and are still in use.

The following tangible fixed assets held under finance lease are included in plant and machinery above:

	2003 £	2002 £
Cost	34,039	144,535
Depreciation	<u>18,663</u>	<u>78,738</u>
Net book value	<u>15,376</u>	<u>65,797</u>

## 10 Investments

	2003 £	2002 £
Shares in subsidiary undertakings		
Cost and net book value at 26 October 2003	<u>16</u>	<u>16</u>

The company has a 100% holding in Boy Brummel Limited, Johnscraft Limited and Michael de Leon (UK) Limited, all of which are registered in England and Wales. The company also has a 100% holding in Banner (Far East) Limited, a company registered in Hong Kong. None of the above companies traded during the year.

## 11 Stocks

	2003 £	2002 £
Raw materials	244,572	170,148
Work in progress	412,839	519,768
Finished goods	<u>3,485,411</u>	<u>2,935,756</u>
	<u>4,142,822</u>	<u>3,625,672</u>

## 12 Debtors

	2003 £	2002 £
Amounts falling due within one year:		
Trade debtors	2,342,462	2,301,804
Amount owed by ultimate holding company	251,681	251,681
Amounts due from fellow subsidiary undertakings	616,969	634,427
Group taxation relief recoverable	129,138	88,138
Deferred taxation	58,460	112,521
Other debtors	177,621	70,918
Prepayments and accrued income	<u>490,497</u>	<u>373,899</u>
	<u>4,066,828</u>	<u>3,833,388</u>

## BANNER LIMITED

NOTES ON FINANCIAL STATEMENTS - 26 OCTOBER 2003  
(continued)

## 12 Debtors (continued)

	2003 £	2002 £
The deferred taxation debtor comprises:		
Accelerated tax allowances	7,533	27,519
Other short term timing differences	<u>50,927</u>	<u>85,002</u>
	<u>58,460</u>	<u>112,521</u>

## 13 Creditors

	2003 £	2002 £
Amounts falling due within one year:		
Bank overdraft	1,037,820	463,697
Trade creditors	1,590,522	1,578,471
Amounts owed to fellow subsidiary undertakings	4,525,163	4,627,970
Corporation tax	148,597	160,250
Other taxation	17,886	30,053
Social security	36,700	23,752
Other creditors	117,648	160,894
Accruals and deferred income	314,943	351,783
Dividend payable	169,000	-
Obligations under finance leases and hire purchase agreements (note 17)	<u>2,977</u>	<u>32,707</u>
	<u>7,961,256</u>	<u>7,429,577</u>

Amounts falling due after more than one year:

Obligations under finance leases (note 17)	<u>-</u>	<u>4,357</u>
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## 14 Provisions for liabilities and charges

	Dilapidations provision £	Warranty provision £	Total £
At 27 October 2002	113,500	150,000	263,500
Charged to profit and loss account	3,403	140,399	143,802
Provision utilised	(3,403)	(140,399)	(143,802)
Released	<u>-</u>	<u>(20,000)</u>	<u>(20,000)</u>
At 26 October 2003	<u>113,500</u>	<u>130,000</u>	<u>243,500</u>

## 15 Called up share capital

	2003 £	2002 £
Authorised, issued and fully paid:		
500,000 ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>

## BANNER LIMITED

**NOTES ON FINANCIAL STATEMENTS - 26 OCTOBER 2003**  
(continued)

<b>16 Reserves</b>	<b>2003 £</b>	<b>2002 £</b>
<b>Reconciliation of movements in equity shareholders' funds</b>		
Profit for the financial year	293,753	236,034
Dividends	<u>(169,000)</u>	<u>-</u>
Net addition to equity shareholders' funds	124,753	236,034
Opening equity shareholders' funds	<u>753,673</u>	<u>517,639</u>
Closing equity shareholders' funds	<u>878,426</u>	<u>753,673</u>
<b>Profit and loss account</b>	<b>£</b>	
Balance at 27 October 2002	253,673	
Retained profit for the year	<u>124,753</u>	
Balance at 26 October 2003	<u>378,426</u>	
<b>17 Leasing obligations</b>	<b>2003 £</b>	<b>2002 £</b>
Future commitments due under finance leases are:		
Within one year	3,361	37,004
Between two and five years	<u>-</u>	<u>4,920</u>
	3,361	41,924
Less: future finance charges	<u>384</u>	<u>4,860</u>
	<u>2,977</u>	<u>37,064</u>
Shown in creditors (note 13) as:		
Amounts falling due within one year	2,977	32,707
Amounts falling due after more than one year	<u>-</u>	<u>4,357</u>
	<u>2,977</u>	<u>37,064</u>
Annual commitments due under non-cancellable operating leases are:		
Property leases which expire:		
Within one year	-	9,173
Between two and five years	50,703	15,355
Beyond five years	<u>240,000</u>	<u>240,000</u>
	<u>290,703</u>	<u>264,528</u>
Plant and vehicles leases which expire:		
Within one year	20,481	18,832
Between two and five years	51,985	42,609
Beyond five years	<u>-</u>	<u>1,894</u>
	<u>72,466</u>	<u>63,335</u>



**NOTES ON FINANCIAL STATEMENTS - 26 OCTOBER 2003**  
(continued)

**18 Pension commitments**

The company is part of the Cosalt plc group which operates several pension schemes, the major one being of the defined benefit type. The assets of the deferred benefit scheme are held in separate trustee administered funds. This scheme was closed to new entrants on 25 July 2000 and replaced by a defined contribution scheme.

A new pension cost accounting standard, Financial Reporting Standard 17 (FRS 17), was issued in November 2000. The mandatory full implementation of this FRS has been deferred. Prior to this implementation transitional disclosure rules apply.

Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17, 'Retirement Benefits' the scheme will be accounted for by the company when the accounting standard is fully adopted by the company as if the scheme was a defined contribution scheme.

The FRS 17 transitional disclosures for the scheme are shown in the consolidated accounts of Cosalt plc, the ultimate parent company.

During the year the company made contributions amounting to £144,426 (2002: £178,742) to a money purchase scheme. The pensions cost charged in the financial statement reflects the contributions payable by the company during the year.

**19 Related party transactions**

The company has taken advantage of the exemption from disclosing related party transactions with other group companies, as permitted by Financial Reporting Standard No 8 as the consolidated financial statements in which the company is included are publicly available.

**20 Ultimate parent company**

The company is a subsidiary undertaking of Cosalt plc, which is the ultimate parent company, incorporated in England. The consolidated accounts of this company are available to the public and may be obtained from Fish Dock Road, Grimsby, DN31 3NW.