

Incorporatewear Limited

Abbreviated Accounts

Registered number 3240384

For the year ended 31 January 2002



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 January 2002.

Principal activity and business review

The principal activity of the company in the year was the supply and management of corporate clothing for business users.

Business review

The directors are satisfied with the results achieved in the year which include a 14% increase in turnover.

During the year the company commenced preparations for the relocation of the business to a brand new facility and incurred significant costs in relation to positioning the business for further substantial contracted growth. This investment in the future of the business led to a reduction in profit compared to the previous year. However, the directors are confident that next year profits will revert to levels consistent with the previous growth trend.

The directors do not propose a dividend for the financial year (2001: £Nil).

Directors and directors' interests

The directors who held office during the year and their beneficial interest in the share capital of the company was as follows:

		Class of share	Ordinary shares of £1 each	
			At end of year	At beginning of year
N Alderman	(appointed 17 July 2002)		-	-
J Banks		"B" ordinary	4,560	4,560
M Bunce	(appointed 17 July 2002)		-	-
B Lamb		"A" ordinary	4,641	4,641
L McCall		"A" ordinary	5,461	5,461
R Pollock	(appointed 17 July 2002)		-	-
RH Thompson		"A" ordinary	4,641	4,641

Post balance sheet events

On 17 July 2002 a re-organisation of the share capital of the company took place. Under the re-organisation the following events occurred:

- the "A" ordinary shares and "B" ordinary shares in the authorised and issued capital of the company were re-classified as ordinary shares ranking pari-passu in all respects;
- the authorised share capital was increased from £27,302 to £50,000, by the creation of 22,698 £1 ordinary shares each ranking pari passu in all respect with the existing ordinary shares of the company; and
- a bonus issue of 3,700 ordinary shares was proposed. Certain shareholders waived some or all of their rights to these shares, resulting in 1,305 £1 ordinary shares being issued.

Following these events the beneficial interest of the directors in the share capital of the company was as follows:

	Ordinary shares of £1 each after the re-organisation
J Banks	4,560
B Lamb	4,950
L McCall	5,581
RH Thompson	4,950

Directors' report (continued)

Post balance sheet events (continued)

Also on 17 July 2002 the Incorporatewear Enterprise Management Incentive Scheme was set up and options to purchase shares in the company were granted as detailed below:

Director	Number of options during the year				Exercise price per share	Market price at date of exercise	Date from which exercisable	Expiry date
	At start of year	Granted	Exercised	At end of year				
R Pollock	-	3,178	-	3,178	£1.00	n/a	17 July 2002	17 July 2002
R Pollock	-	852	-	852	£1.00	n/a	31 January 2003	17 July 2012

The exercise of the 852 shares is conditional upon the company achieving certain results for the year ended 31 January 2003.

Auditors

KPMG were re-appointed auditors of the company at the last annual general meeting. However, since that date their business was transferred to a limited liability partnership, KPMG LLP. Accordingly, KPMG resigned as auditors on 13 June 2002 and the directors thereupon appointed KPMG LLP to fill the vacancy arising. A resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming annual general meeting.

By order of the board

RH Thompson
Director

Incorporatewear Limited
Edison Road
Hams Hall National Distribution Park
Coleshill
Birmingham
B46 1DA

28 August 2002

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 and of the profit or loss for that period. 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume 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 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.



2 Cornwall Street
Birmingham
B3 2DL

Report of the independent auditors to Incorporatewear Limited Pursuant to Section 247B of the Companies Act 1985

We have examined the abbreviated accounts set out on pages 4 to 17, together with the financial statements of Incorporatewear Limited prepared under Section 226 of the Companies Act 1985 for the year ended 31 January 2002.

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 whether the company is entitled to deliver abbreviated accounts prepared in accordance with Section 246A(3) of the Act to the Registrar of Companies and whether the accounts to be delivered are properly prepared in accordance with those provisions and to report our opinion to you.

Basis of audit opinion

We have carried out the procedures we considered necessary to confirm, by reference to the audited financial statements, that the company is entitled to the exemptions 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 to deliver abbreviated accounts prepared in accordance with Section 246A(3) of the Companies Act 1985 and the abbreviated accounts are properly prepared in accordance with that provision.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

28 August 2002

Profit and loss account

for the year ended 31 January 2002

	<i>Note</i>	2002 £	2001 £
Gross profit		2,291,040	2,049,378
Distribution costs		(455,625)	(501,167)
Administrative expenses		(1,745,517)	(1,197,640)
Operating profit		89,898	350,571
Interest receivable and similar income	2	-	18,602
Interest payable and similar charges	3	(63,935)	(13,476)
Profit/(loss) on sale of fixed assets		2,103	(4,519)
Profit on ordinary activities before taxation	4	28,066	351,178
Tax on profit on ordinary activities	7	(13,850)	(81,741)
Profit on ordinary activities after taxation for the year being profit retained for the year	15	14,216	269,437
Retained profit brought forward		649,409	379,972
Retained profit carried forward		663,625	649,409

All turnover and operating profits arise from continuing operations.

The company has no recognised gains or losses in either the current or preceding year other than the profits for these years.

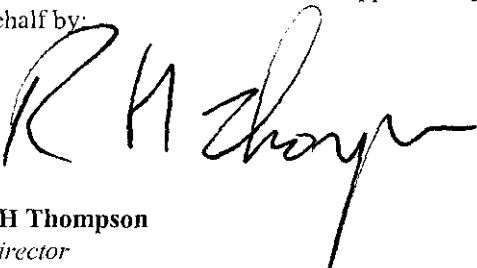
There is no material difference between the result as disclosed in the profit and loss account and the result on an unmodified historical cost basis.

Balance sheet
at 31 January 2002

	Note	2002	2001
		£	£
Fixed assets			
Tangible assets	8	267,165	203,834
Current assets			
Stocks	9	1,593,794	1,781,480
Debtors	10	1,713,474	1,916,143
Cash at bank and in hand		12,766	-
		<u>3,320,034</u>	<u>3,697,623</u>
Creditors: Amounts falling due within one year	11	<u>(2,834,924)</u>	<u>(3,165,253)</u>
Net current assets		<u>485,110</u>	<u>532,370</u>
Total assets less current liabilities		<u>752,275</u>	<u>736,204</u>
Creditors: Amounts falling due after one year	12	-	(2,145)
Provision for liabilities and charges	13	<u>(13,000)</u>	<u>(9,000)</u>
Net assets		<u>739,275</u>	<u>725,059</u>
Capital and reserves			
Called up share capital	14	27,302	27,302
Share premium account		48,348	48,348
Profit and loss account		663,625	649,409
Equity shareholders' funds	15	<u>739,275</u>	<u>725,059</u>

These accounts have been prepared in accordance with the Special Provisions of Section 246A(3) of the Companies Act relating to medium sized companies.

These financial statements were approved by the board of directors on 28 August 2002 and were signed on its behalf by:



RH Thompson
Director

Cash flow statement

for the year ended 31 January 2002

	Note	2002 £	2001 £
Reconciliation of operating profit to net cash flow from operating activities			
Operating profit		89,898	350,571
Depreciation		81,718	65,325
Decrease/(increase) in stocks		187,686	(812,749)
Decrease/(increase) in debtors		202,669	(162,259)
Increase/(decrease) in creditors		445,297	(646,301)
		<hr/>	<hr/>
Cash inflow/(outflow) from operating activities		1,007,268	(1,205,413)

Cash flow statement

Cash inflow/(outflow) from operating activities		1,007,268	(1,205,413)
Returns on investments and servicing of finance	17(a)	(63,935)	5,126
Taxation		(82,850)	(54,741)
Capital expenditure and financial investment	17(b)	(142,946)	(129,524)
		<hr/>	<hr/>
Cash inflow/(outflow) before financing		717,537	(1,384,552)
Financing	17(c)	(2,145)	(178,750)
		<hr/>	<hr/>
Increase/(decrease) in cash in the year	17(d)	715,392	(1,563,302)

Reconciliation of net cash flow to movement in net deb

Increase/(decrease) in cash in the year		715,392	(1,563,302)
Financing		2,145	178,750
		<hr/>	<hr/>
Change in net debt	17(d)	717,537	(1,384,552)
Net debt at beginning of year		(1,642,506)	(257,954)
		<hr/>	<hr/>
Net debt at end of year	17(d)	(924,969)	(1,642,506)

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements:

Basis of accounting

The financial statements have been prepared under the historical cost accounting rules in accordance with applicable Accounting Standards.

Fixed assets and depreciation

Depreciation is provided so as to write off the cost less estimated residual value of tangible fixed assets over their estimated useful lives as follows:

Leasehold property	-	20% on straight line method
Plant and machinery	-	10% on straight line method
Motor vehicles	-	25% on straight line basis
Computers and equipment	-	20%-25% on straight line basis
Computer software	-	33% on straight line basis

Stocks

Stocks are valued at the lower of cost and net realisable value.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Except where otherwise required, full provision without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the life of the lease.

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in a foreign currency are translated into sterling using the rate of exchange ruling at the balance sheet date. Gains or losses on translation are included in the profit and loss account.

Turnover

Turnover, excluding value added tax, is recognised when substantially all of the risks and rewards of ownership transfers to the purchaser, generally at the time of delivery and acceptance.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market.

Notes (continued)

1 Accounting policies (continued)

Pensions

The company operates money purchase pension schemes for directors. The assets of the schemes are held separately from those of the company, being invested with insurance companies. Contributions to the schemes are charged to the profit and loss account as they fall due.

2 Interest receivable and similar income

	2002 £	2001 £
Bank interest received	-	18,602
	<u> </u>	<u> </u>

3 Interest payable and similar charges

	2002 £	2001 £
On bank loans and overdrafts wholly repayable within five years	63,769	12,602
On hire purchase contracts	166	874
	<u> </u>	<u> </u>
	63,935	13,476
	<u> </u>	<u> </u>

4 Profit on ordinary activities before taxation

	2002 £	2001 £
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Depreciation	81,718	65,325
Auditors' remuneration:		
For audit services	8,755	8,000
For other services	32,186	2,946
Operating lease rentals:		
Rent of land and buildings	122,737	55,900
Rentals in respect of motor vehicles	36,958	11,566
Exchange losses	21,446	5,836
	<u> </u>	<u> </u>

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the company (including the directors) during the year, analysed by category, was as follows:

	Number of employees	
	2002	2001
Administration	19	15
Distribution	34	24
	<hr/>	<hr/>
	53	39
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	1,141,787	739,677
Social security costs	106,729	74,924
Pension costs	3,479	5,412
	<hr/>	<hr/>
	1,251,995	820,013
	<hr/>	<hr/>

6 Remuneration of directors

	2002	2001
	£	£
Directors' emoluments	189,000	214,013
	<hr/>	<hr/>
Company contributions to money purchase pension schemes	3,479	5,412
	<hr/>	<hr/>
	Number of directors	
Number of directors to whom pension contributions relate	3	3
	<hr/>	<hr/>

Notes (continued)

7 Tax on profit on ordinary activities

(i) Analysis of charge for the year

	2002	2001
	£	£
Current tax:		
UK corporation tax at 20% (2001: 30%)	7,000	80,000
Adjustment in respect of prior year	2,850	(259)
	<hr/>	<hr/>
Total current taxation	9,850	79,741
Deferred tax:		
Origination and reversal of timing differences	4,000	2,000
	<hr/>	<hr/>
Tax charge on profit on ordinary activities	13,850	81,741
	<hr/>	<hr/>

(ii) Factors affecting the tax charge for the year

The tax assessed in the year is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2002	2001
	£	£
Profit on ordinary activities before tax	28,066	351,178
Profit on ordinary activities multiplied by the standard rate of corporation tax in UK of 20% (2001: 30%)	5,613	105,353
Expenses not deductible for tax purposes	5,875	3,132
Capital allowances for the year in excess of depreciation	(4,145)	(243)
Effect of reduced tax rate	(343)	(28,242)
Adjustment in respect of prior year	2,850	(259)
	<hr/>	<hr/>
	9,850	79,741
	<hr/>	<hr/>

(iii) Factors that may affect future tax charges

Based on current capital investment plans, the company expects to continue to be able to claim capital allowances in excess of depreciation in future years.

Notes (continued)

8 Tangible fixed assets

	Leasehold improvements	Plant and equipment	Motor vehicles	Office equipment and furniture	Total
	£	£	£	£	£
Cost					
At beginning of year	64,782	57,472	69,714	200,748	392,716
Additions	6,315	29,823	6,575	103,983	146,696
Disposals	-	-	(32,850)	-	(32,850)
At end of year	71,097	87,295	43,439	304,731	506,562
Depreciation					
At beginning of year	37,763	8,616	32,513	109,990	188,882
Charged in year	13,828	6,475	11,899	49,516	81,718
Disposals	-	-	(31,203)	-	(31,203)
At end of year	51,591	15,091	13,209	159,506	239,397
Net book value					
At 31 January 2002	19,506	72,204	30,230	145,225	267,165
At 31 January 2001	27,019	48,856	37,201	90,758	203,834

Included within the net book value of £231,270 is £7,296 (2001: £10,294) relating to assets held under hire purchase agreements. The depreciation charged to the accounts in the year in respect of these assets amounted to £1,216 (2001: £3,591).

9 Stocks

	2002 £	2001 £
Raw materials	252,865	32,441
Finished goods	1,340,929	1,749,039
	1,593,794	1,781,480

Notes (continued)

10 Debtors

	2002 £	2001 £
Trade debtors	1,574,863	1,620,436
Other debtors (including amounts due from directors – note 20)	5,150	86,242
Prepayments	133,461	209,465
	<hr/> 1,713,474	<hr/> 1,916,143

11 Creditors: Amounts falling due within one year

	2002 £	2001 £
Bank overdraft	935,590	1,638,216
Obligations under finance leases and hire purchase contracts	2,145	2,145
Trade creditors	1,697,121	1,106,452
Corporation tax	7,000	80,000
Other taxes and social security	36,675	41,327
Other creditors	108,334	37,047
Accruals and deferred income	48,059	260,066
	<hr/> 2,834,924	<hr/> 3,165,253

The bank overdraft is secured by an all monies debenture.

12 Creditors: Amounts falling due after more than one year

	2002 £	2001 £
Obligations under finance leases and hire purchase contracts	-	2,145

Notes (continued)

13 Provisions for liabilities and charges

Deferred taxation

The amount provided for deferred taxation, which is also the full potential liability, calculated at 25% (2000: 25%) on the liability method is set out below:

	£	
Balance at beginning of year		9,000
Charge for the year		4,000
Balance at end of year		13,000
	2002	2001
	£	£
Accelerated capital allowances	13,000	9,000

14 Share capital

	2002	2001
	£	£
<i>Authorised, allotted, called up and fully paid:</i>		
Ordinary "A" shares of £1 each	16,927	16,927
Ordinary "B" shares of £1 each	10,375	10,375
	27,302	27,302

On a return of capital on liquidation or otherwise, the assets of the company available for distribution among the members shall be paid as 65% to the holders of the "A" shares and 35% to the holders of the "B" shares. In all other respects, the holders of the "A" and "B" shares have the same rights.

15 Reconciliation of movement in shareholders' funds

	2002	2001
	£	£
Profit for the year	14,216	269,437
Opening shareholders' funds	725,059	455,622
Closing shareholders' funds	739,275	725,059

Notes (continued)

16 Commitments under finance lease and hire purchase contracts

	2002 £	2001 £
Amounts payable within one year	3,096	3,096
Amounts payable between two to five years	-	3,096
	<hr/> 3,096	<hr/> 6,192
Less: Finance charges and interest relating to future periods	(951)	(1,902)
	<hr/> 2,145	<hr/> 4,290

17 Analysis of cash flows

(a) Returns on investment and servicing of finance

	2002 £	2001 £
Bank interest received	-	18,602
Bank interest paid	(63,769)	(12,602)
Interest element of hire purchase payments	(166)	(874)
	<hr/> (63,935)	<hr/> 5,126

(b) Capital expenditure and financial investment

	£	£
Purchase of tangible fixed assets	(146,696)	(130,484)
Sale of fixed assets	3,750	960
	<hr/> (142,946)	<hr/> (129,524)

(c) Financing

	£	£
Capital element of hire purchase payments	(2,145)	(10,450)
Debenture loans	-	(168,300)
	<hr/> (2,145)	<hr/> (178,750)

Notes (continued)

17 Analysis of cash flows (continued)

(d) Analysis of changes in net debt

	At beginning of year £	Cash flow £	At end of year £
Cash in hand, at bank	-	12,766	12,766
Overdrafts	(1,638,216)	702,626	(935,590)
Hire purchase financing	(4,290)	2,145	(2,145)
Total	(1,642,506)	717,537	(924,969)

18 Commitments under operating leases

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings		Other assets	
	2002 £	2001 £	2002 £	2001 £
Expiring within one year	-	-	13,963	-
Expiring between two and five years	-	-	39,707	32,090
Expiring after more than five years	169,000	55,900	-	-

19 Capital commitments

There were capital no commitments at 31 January 2002 (2001: £Nil).

20 Related party transactions

HQ Limited, a company of which Mr J Banks is a director, has provided a design consultancy service to Incorporatewear Limited. The value of transactions in the period was £209,522 (2001: £248,057). Amounts owing to HQ Design at the year end were £51,951 (2001: £45,787). The transactions were all at arms length and on a normal commercial basis.

Included within other debtors are the following amounts due from directors:

	Balance outstanding at 31 January 2002 being the maximum balance outstanding during the year £
B Lamb	1,856
L McCall	849
	2,705

Notes (continued)

21 Post balance sheet events

Post balance sheet events

On 17 July 2002 a re-organisation of the share capital of the company took place. Under the re-organisation the following events occurred:

- the "A" ordinary shares and "B" ordinary shares in the authorised and issued capital of the company were re-classified as ordinary shares ranking pari-passu in all respects;
- the authorised share capital was increased from £27,302 to £50,000, by the creation of 22,698 £1 ordinary shares each ranking pari passu in all respect with the existing ordinary shares of the company; and
- a bonus issue of 3,700 ordinary shares was proposed. Certain shareholders waived some or all of their rights to these shares, resulting in 1,305 £1 ordinary shares being issued.

Following these events the beneficial interest of the directors in the share capital of the company was as follows:

	Ordinary shares of £1 each after the re-organisation
J Banks	4,560
B Lamb	4,950
L McCall	5,581
RH Thompson	4,950

Also on 17 July 2002 the Incorporatewear Enterprise Management Incentive Scheme was set up and options to purchase shares in the company were granted as detailed below:

Director	Number of options during the year				Exercise price per share	Market price at date of exercise	Date from which exercisable	Expiry date
	At start of year	Granted	Exercised	At end of year				
R Pollock	-	3,178	-	3,178	£1.00	n/a	17 July 2002	17 July 2002
R Pollock	-	852	-	852	£1.00	n/a	31 January 2003	17 July 2012

The exercise of the 852 shares is conditional upon the company achieving certain results for the year ended 31 January 2003.