

**Incorporatewear Limited**

Abbreviated accounts

Registered number 3240384

For the year ended 31 January 2003



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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 January 2003.

### 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 44% increase in turnover.

The directors do not propose a dividend for the financial year (2002: £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		Ordinary	4,560	4,560
B Lamb		Ordinary	4,960	4,641
L McCall		Ordinary	5,581	5,461
R Pollock	(appointed 17 July 2002)	Ordinary	3,178	-
RH Thompson		Ordinary	4,960	4,641

### Share re-organisation

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 4,700 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.

## Directors' report *(continued)*

### Share reorganisation *(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	£16.25	17 July 2002	17 July 2002
R Pollock	-	852	-	852	£1.00	n/a	31 January 2003	17 July 2012
N Alderman	-	979	-	979	£76.59	n/a	28 November 2003	28 November 2003

Options over the 852 shares have become unconditional since the year end as the company achieved targeted results for the year ended 31 January 2003.

The cost of the options exercised and exercisable of £61,457 has been recognised in the profit and loss account.

### Employee benefit trust

The Incorporatewear Employee Benefit Trust was set up on 7 November 2002. On this date, the trust acquired 1,632 shares at a cost of £76.59 per share. These shares are held in the company balance sheet as fixed asset "investments in own shares" in line with accounting standards. Further details are disclosed in note 9.

On 28 November 2002, options over 1,305 of the shares held in the trust were granted.

### Auditors

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



**R Pollock**  
Director

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

30 April 2003

## **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;
- state whether applicable accounting standards have been followed, subject to any material departures in the financial statements;
- 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.



KPMG LLP  
2 Cornwall Street  
Birmingham  
B3 2DL

## **Independent auditors' report to Incorporatewear Limited**

*Pursuant to Section 247B of the Companies Act 1985*

We have examined the abbreviated accounts set out on pages 5 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 2003.

This report is made solely to the company in accordance with section 247B of the Companies Act 1985. Our work has been undertaken so that we might state to the company those matters we are required to state to it in such a 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, for our work, for this report, or for the opinions we have formed.

### ***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*

30 April 2003

**Profit and loss account**  
*for the year ended 31 January 2003*

	<i>Note</i>	<b>2003</b> £	<b>2002</b> £
<b>Gross profit</b>		<b>2,583,760</b>	1,463,188
Distribution costs		<b>(150,036)</b>	(63,790)
Administrative expenses		<b>(2,002,768)</b>	(1,309,500)
<b>Operating profit</b>		<b>430,956</b>	89,898
Interest receivable and similar income	2	<b>9,434</b>	-
Interest payable and similar charges	3	<b>(89,042)</b>	(63,935)
Profit on sale of fixed assets		-	2,103
<b>Profit on ordinary activities before taxation</b>	4	<b>351,348</b>	28,066
Tax on profit on ordinary activities	7	<b>(125,585)</b>	(13,850)
<b>Profit on ordinary activities after taxation for the year being profit retained for the year</b>	16	<b>225,763</b>	14,216
Retained profit brought forward		<b>663,625</b>	649,409
Cost of exercise of share options charged to profit and loss account		<b>61,457</b>	-
<b>Retained profit carried forward</b>		<b>950,845</b>	663,625

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.

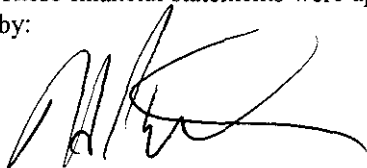
There is no material difference between the result as disclosed in the profit and loss account and the result on an unmodified historical cost basis.

**Balance sheet**  
*at 31 January 2003*

	Note	£	2003 £	£	2002 £
<b>Fixed assets</b>					
Tangible assets	8		1,399,903		267,165
Investments	9		125,000		-
			<hr/>		<hr/>
			1,524,903		267,165
<b>Current assets</b>					
Stocks	10	1,012,902		1,593,794	
Debtors	11	2,617,624		1,713,474	
Cash at bank and in hand		500		12,766	
			<hr/>	<hr/>	
			3,631,026		3,320,034
<b>Creditors: Amounts falling due within one year</b>	12	(3,180,274)		(2,834,924)	
			<hr/>	<hr/>	
<b>Net current assets</b>			450,752		485,110
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			1,975,655		752,275
<b>Creditors: Amounts falling due after one year</b>	13		(900,000)		-
<b>Provision for liabilities and charges</b>	14		(44,677)		(13,000)
			<hr/>		<hr/>
<b>Net assets</b>			1,030,978		739,275
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	15		31,785		27,302
Share premium account			48,348		48,348
Profit and loss account			950,845		663,625
			<hr/>		<hr/>
<b>Equity shareholders' funds</b>	16		1,030,978		739,275
			<hr/>		<hr/>

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 30 April 2003 and were signed on its behalf by:



**R Pollock**  
Director



**Cash flow statement**  
*for the year ended 31 January 2003*

	Note	2003 £	2002 £
<b>Reconciliation of operating profit to net cash flow from operating activities</b>			
Operating profit		430,956	89,898
Issue of share capital for nil consideration		1,305	-
Cost of share options issued		61,457	-
Depreciation		171,325	81,718
Decrease in stocks		580,892	187,686
(Increase)/decrease in debtors		(904,150)	202,669
Increase in creditors		309,493	445,297
		<hr/>	<hr/>
<b>Cash inflow from operating activities</b>		<b>651,278</b>	<b>1,007,268</b>
		<hr/>	<hr/>
<b>Cash flow statement</b>			
<b>Cash inflow from operating activities</b>		<b>651,278</b>	<b>1,007,268</b>
<b>Returns on investments and servicing of finance</b>	18(a)	<b>(79,608)</b>	<b>(63,935)</b>
<b>Taxation</b>		<b>(6,908)</b>	<b>(82,850)</b>
<b>Capital expenditure and financial investment</b>	18(b)	<b>(1,304,063)</b>	<b>(142,946)</b>
		<hr/>	<hr/>
<b>Cash (outflow)/inflow before financing</b>		<b>(739,301)</b>	<b>717,537</b>
<b>Financing</b>	18(c)	<b>956,033</b>	<b>(2,145)</b>
		<hr/>	<hr/>
<b>Increase in cash in the year</b>	18(d)	<b>216,732</b>	<b>715,392</b>
		<hr/>	<hr/>
<b>Reconciliation of net cash flow to movement in net debt</b>			
<b>Increase in cash in the year</b>		<b>216,732</b>	<b>715,392</b>
<b>Cash (inflow)/outflow from (increase)/decrease in debt and lease financing</b>		<b>(1,077,855)</b>	<b>2,145</b>
		<hr/>	<hr/>
<b>Change in net debt</b>	18(d)	<b>(861,123)</b>	<b>717,537</b>
<b>Net debt at beginning of year</b>		<b>(924,969)</b>	<b>(1,642,506)</b>
		<hr/>	<hr/>
<b>Net debt at end of year</b>	18(d)	<b>(1,786,092)</b>	<b>(924,969)</b>
		<hr/>	<hr/>

## 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 on a straight line basis, as follows:

Leasehold property	-	5%-20%
Plant and machinery	-	10%
Motor vehicles	-	25%
Computers, office equipment and furniture	-	20%-25%
Computer software	-	33%

#### *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. Deferred tax 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 FRS 19.

#### *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.

## Notes (continued)

### 1 Accounting policies (continued)

#### 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.

#### 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

	2003 £	2002 £
Bank interest received	9,434	-

### 3 Interest payable and similar charges

	2003 £	2002 £
On bank loans and overdrafts	89,042	63,769
On hire purchase contracts	-	166
	<u>89,042</u>	<u>63,935</u>

### 4 Profit on ordinary activities before taxation

	2003 £	2002 £
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#### Profit on ordinary activities before taxation is stated

##### after charging

Depreciation	171,325	81,718
Auditors' remuneration:		
For audit services	12,632	8,755
For other services	30,085	32,186
Operating lease rentals:		
Rent of land and buildings	124,668	122,737
Rentals in respect of motor vehicles	83,154	36,958
Exchange losses	-	21,446

##### after crediting

Exchange gain	<u>63,064</u>	<u>-</u>
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## 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	
	2003	2002
Administration	30	19
Distribution	31	34
	<u>61</u>	<u>53</u>

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	1,519,559	1,141,787
Social security costs	142,437	106,729
Pension costs	4,181	3,479
	<u>1,666,177</u>	<u>1,251,995</u>

### 6 Remuneration of directors

	2003 £	2002 £
Directors' emoluments	<u>425,267</u>	<u>189,000</u>
Company contributions to money purchase pension schemes	<u>4,181</u>	<u>3,479</u>

The aggregate of emoluments of the highest paid director were £101,408 and company pension contributions of £4,109 were made to a money purchase pension scheme on his behalf. During the year, the highest paid director exercised share options.

In addition, fees of £309,973 (2001: £209,522) were paid to third parties in respect of directors' services.

	Number of directors	
	2003	2002
Number of directors to whom pension contributions relate	<u>3</u>	<u>3</u>

## Notes (continued)

### 7 Tax on profit on ordinary activities

#### (i) Analysis of charge for the year

	2003	2002
	£	£
Current tax:		
UK corporation tax at 30% (2002: 20%)	94,000	7,000
Adjustment in respect of prior year	(92)	2,850
	<hr/>	<hr/>
Total current taxation	93,908	9,850
Deferred tax:		
Origination and reversal of timing differences	31,677	4,000
	<hr/>	<hr/>
Tax charge on profit on ordinary activities	125,585	13,850
	<hr/> <hr/>	<hr/> <hr/>

#### (ii) Factors affecting the tax charge for the year

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

	2003	2002
	£	£
Profit on ordinary activities before tax	351,348	28,066
Profit on ordinary activities multiplied by the standard rate of corporation tax in UK of 30% (2002: 20%)	105,404	5,613
Expenses not deductible for tax purposes	38,989	5,875
Capital allowances for the year in excess of depreciation	(28,002)	(4,145)
Depreciation on ineligible assets	7,951	-
Decrease in general provisions	(799)	-
Rounding	(98)	-
Effect of change in tax rate	(29,445)	(343)
Adjustment in respect of prior year	(92)	2,850
	<hr/>	<hr/>
	93,908	9,850
	<hr/> <hr/>	<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
	£	£	£	£	£
<b>Cost</b>					
At beginning of year	71,097	87,295	43,439	304,731	506,562
Additions	938,009	2,095	23,169	346,864	1,310,137
Disposals	(71,097)	-	-	(79,701)	(150,798)
At end of year	938,009	89,390	66,608	571,894	1,665,901
<b>Depreciation</b>					
At beginning of year	51,591	15,091	13,209	159,506	239,397
Charged in year	51,393	8,653	15,003	96,276	171,325
Disposals	(71,097)	-	-	(73,627)	(144,724)
At end of year	31,887	23,744	28,212	182,155	265,998
<b>Net book value</b>					
At 31 January 2003	906,122	65,646	38,396	389,739	1,399,903
At 31 January 2002	19,506	72,204	30,230	145,225	267,165

Included within the net book value is £6,080 (2002: £7,296) 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 (2002: £1,216).

### 9 Fixed asset investments

	Shares in employee benefit trust £
<b>Cost</b>	
At beginning of year	-
Additions	125,000
At end of year	125,000

The investment in own shares represents shares held in the Incorporatewear Employee Benefit Trust set up on 7 November 2002. The trust acquired 1,632 £1 ordinary shares at a cost of £76.59 per share.

The shares are held at cost and the directors consider that the market value of the shares is not below cost.

1,305 of the shares are under option to employees at an exercise price of £76.59 per share.

**Notes** *(continued)*

**10 Stocks**

	2003 £	2002 £
Raw materials	102,679	252,865
Finished goods	910,223	1,340,929
	<u>1,012,902</u>	<u>1,593,794</u>

**11 Debtors**

	2003 £	2002 £
Trade debtors	2,184,091	1,574,863
Other debtors	65,889	5,150
Prepayments	367,644	133,461
	<u>2,617,624</u>	<u>1,713,474</u>

**12 Creditors: Amounts falling due within one year**

	2003 £	2002 £
Term loan and overdraft	886,592	935,590
Obligations under finance leases and hire purchase contracts	-	2,145
Trade creditors	1,816,060	1,697,121
Corporation tax	94,000	7,000
Other taxes and social security	21,416	36,675
Other creditors	86,582	108,334
Accruals and deferred income	275,624	48,059
	<u>3,180,274</u>	<u>2,834,924</u>

The term loan and overdraft are secured by a fixed and floating charge over the assets of the company.

Interest is charged at normal commercial rates.

## Notes (continued)

### 13 Creditors: Amounts falling due after more than one year

	2003 £	2002 £
Term loan	900,000	-

The term loan and overdraft are secured by a fixed and floating charge over the assets of the company.

Interest is charged at normal commercial rates.

#### Analysis of debt

	2003 £	2002 £
Debt can be analysed as falling due:		
In one year or less	886,592	937,735
Between one and two years	180,000	-
Between two and five years	540,000	-
In five years or more	180,000	-
	<u>1,786,592</u>	<u>937,735</u>

### 14 Provisions for liabilities and charges

#### Deferred taxation

The amount provided for deferred taxation, which is also the full potential liability, calculated at 30% (2002: 25%) on the liability method is set out below:

	£
Balance at beginning of year	13,000
Charge for the year	31,677
<b>Balance at end of year</b>	<u><b>44,677</b></u>

	2003 £	2002 £
Accelerated capital allowances	44,677	13,000



## Notes (continued)

### 15 Share capital

	2003 £	2002 £
<i>Authorised</i>		
Ordinary "A" shares of £1 each	-	16,927
Ordinary "B" shares of £1 each	-	10,375
Ordinary shares of £1 each	<b>50,000</b>	-
	<hr/> <b>50,000</b> <hr/>	<hr/> 27,302 <hr/>
<i>Allotted, called up and fully paid:</i>		
Ordinary "A" shares of £1 each	-	16,927
Ordinary "B" shares of £1 each	-	10,375
Ordinary shares of £1 each	<b>31,785</b>	-
	<hr/> <b>31,785</b> <hr/>	<hr/> 27,302 <hr/>

On 29 October 2002, 3,178 ordinary shares of £1 each were issued for £3,178 cash consideration and on 17 July 2002, 1,305 ordinary shares of £1 each were issued for nil consideration as part of the share reorganisation.

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 ordinary shares of £1 each, each ranking pari passu in all respects with the existing ordinary shares of the company; and
- a bonus issue of 4,700 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.

### 16 Reconciliation of movement in shareholders' funds

	2003 £	2002 £
Profit for the year	<b>225,763</b>	14,216
Opening shareholders' funds	<b>739,275</b>	725,059
New share capital subscribed	<b>4,483</b>	-
Cost of exercise of share options charged to the profit and loss account	<b>61,457</b>	-
	<hr/> <b>1,030,978</b> <hr/>	<hr/> 739,275 <hr/>
Closing shareholders' funds		

**Notes** *(continued)*

**17 Commitments under finance lease and hire purchase contracts**

	2003 £	2002 £
Amounts payable within one year	-	3,096
Amounts payable between two to five years	-	-
	<hr/>	<hr/>
	-	3,096
Less: Finance charges and interest relating to future periods	-	(951)
	<hr/>	<hr/>
	-	2,145
	<hr/>	<hr/>

**18 Analysis of cash flows**

**(a) Returns on investment and servicing of finance**

	2003 £	2002 £
Bank interest received	9,434	-
Bank interest paid	(89,042)	(63,769)
Interest element of hire purchase payments	-	(166)
	<hr/>	<hr/>
	(79,608)	(63,935)
	<hr/>	<hr/>

**(b) Capital expenditure and financial investment**

	£	£
Purchase of tangible fixed assets	(1,310,137)	(146,696)
Sale of fixed assets	6,074	3,750
	<hr/>	<hr/>
	(1,304,063)	(142,946)
	<hr/>	<hr/>

**(c) Financing**

	2003 £	2002 £
Capital element of hire purchase payments	(2,145)	(2,145)
Issue of ordinary share capital	3,178	-
New secured loan repayable by 2009	1,250,000	-
Loan repayments	(170,000)	-
Acquisition cost of Incorporatewear Limited ordinary share capital by Incorporatewear Employee Benefit Trust (note 9)	(125,000)	-
	<hr/>	<hr/>
	956,033	(2,145)
	<hr/>	<hr/>

## Notes (continued)

### 18 Analysis of cash flows (continued)

#### (d) Analysis of changes in net debt

	At beginning of year £	Cash flow £	At end of year £
Cash at bank and in hand	12,766	(12,266)	500
Overdrafts	(935,590)	228,998	(706,592)
		<hr/>	
		216,732	
Hire purchase financing	(2,145)	2,145	-
Debt due within one year	-	(180,000)	(180,000)
Debt due after one year	-	(900,000)	(900,000)
		<hr/>	
		(1,077,855)	
	<hr/>	<hr/>	<hr/>
Total	(924,969)	(861,123)	(1,786,092)
	<hr/>	<hr/>	<hr/>

### 19 Commitments under operating leases

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

	Land and buildings		Other assets	
	2003 £	2002 £	2003 £	2002 £
Expiring within one year	-	-	9,277	13,963
Expiring between two and five years	-	-	57,234	39,707
Expiring after more than five years	195,000	169,000	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

### 20 Capital commitments

There were no capital commitments at 31 January 2003 (2002: £Nil).

### 21 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 £309,973 (2002: £209,522). Amounts owing to HQ Design at the year end were £45,242 (2002: £51,951). The transactions were all at arms length and on a normal commercial basis.