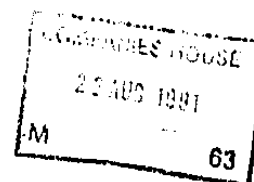


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UMBRO INTERNATIONAL LIMITED



REPORT OF THE DIRECTORS - YEAR ENDED 31 JANUARY 1991

The directors present their report and the audited accounts of the company for the year ended 31 January 1991.

PRINCIPAL ACTIVITY

The company is a manufacturer and distributor of sports and leisurewear for the home and overseas markets.

REVIEW OF THE BUSINESS

Turnover of Umbro branded merchandise substantially increased above last year's performance particularly arising from sales of soccer replica products. The 1990 Soccer World Cup tournament in Italy provided a marketing platform for the brand that in addition to replicas was also reflected in sales of sports related leisure products. Profitability has again improved with continued emphasis on product and stock controls.

The management team continues its work improving the operations of the business against the background of significant growth. The implementation programme for the new computer systems is proceeding to plan with the areas of stock and sales order processing to be addressed during the forthcoming year.

TRADING RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £2,299,000 (1990 - £1,326,000).

The directors do not recommend payment of a dividend (1990 - NIL).

DIRECTORS

The directors who served on the board during the year were as follows:

C J Humphreys
P F Kenyon
G L Leech
P J Draper
A Hadfield
M C Prothero
E E Stone IV
S Preston
F Barrow

(resigned 8 April 1991)
(appointed 29 August 1990)
(appointed 12 April 1991)

None of the directors had any interest in the shares of the company at 31 January 1991 or 31 January 1990. C J Humphreys and E E Stone IV are also directors of the company's holding company, Humphreys Bros., Limited and their interests in the shares of that company are shown in the report of its directors.

UMBRO INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS - YEAR ENDED 31 JANUARY 1991 (CONTINUED)

S Preston and F Barrow retire from the Board of Directors in accordance with the Articles of Association and offer themselves for re-election. M C Prothero and A Hadfield retire by rotation and also offer themselves for re-election.

DIRECTORS AND OFFICERS LIABILITY INSURANCE

Insurance has been taken out by the company under Section 310(3) of the Companies Act 1985 in respect of liabilities arising in relation to the Company.

FIXED ASSETS

The changes which have taken place during the year are set out in note 7 to the accounts.

EMPLOYEES

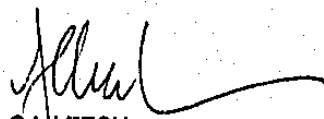
The company is a family business and the directors keep in touch with employees informally.

Full and fair consideration is given to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. Wherever possible, provision is made for training, career development and promotion of disabled persons. Every effort is made to facilitate the continuation in employment of employees who become disabled.

AUDITORS

The company's auditors, Price Waterhouse, have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the next Annual General Meeting of the company.

BY ORDER OF THE BOARD


G L LEECH
SECRETARY

3 May 1991

Dallimore Road
Roundthorn Industrial Estate
Wythenshawe
Manchester
M23 9GJ

Company Registered Number: 198168

AUDITORS' REPORT TO THE MEMBERS OF UMBRO INTERNATIONAL LIMITED

We have audited the accounts on pages 4 to 14 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31 January 1991 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Chartered Accountants
Manchester

3 May 1991

UMBRO INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JANUARY 1991

	Notes	1991 £000	1990 £000
TURNOVER	2	47,960	27,256
Cost of sales		(33,129)	(18,992)
GROSS PROFIT		14,831	8,264
Selling and distribution costs		(8,172)	(4,904)
Administration expenses		(2,918)	(1,780)
		(11,090)	(6,692)
		3,741	1,572
Other operating income		-	54
OPERATING PROFIT		3,741	1,626
Interest payable	3	(392)	(300)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	3,349	1,326
Taxation	6	(1,050)	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION SET ASIDE TO RESERVES	15	2,299	1,326

The annexed notes form part of these accounts.

UMBRO INTERNATIONAL LIMITED

BALANCE SHEET - 31 JANUARY 1991

	Notes	<u>1991</u>	<u>1990</u>
		£000	£000
TANGIBLE FIXED ASSETS	7	2,371	1,815
CURRENT ASSETS			
Stocks	8	8,994	4,594
Debtors	9	10,743	5,396
Cash at bank and in hand		112	1,234
		<u>19,849</u>	<u>11,224</u>
CREDITORS: Amounts falling due within one year	10	<u>(10,842)</u>	<u>(3,644)</u>
NET CURRENT ASSETS		<u>9,007</u>	<u>7,580</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		11,378	9,395
CREDITORS: Amounts falling due after more than one year	11	<u>(4,984)</u>	<u>(5,300)</u>
		<u>6,394</u>	<u>4,095</u>
CAPITAL AND RESERVES			
Called up share capital	14	160	160
Revaluation reserve	15	344	358
Profit and loss account	15	<u>5,890</u>	<u>3,577</u>
		<u>6,394</u>	<u>4,095</u>

Approved by the Board on 3 May 1991

DIRECTORS:

P F KENYON

G L LEECH

The annexed notes form part of these accounts.

UMBRO INTERNATIONAL LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31 JANUARY 1991

	<u>1991</u> £000	<u>1990</u> £000
SOURCE OF FUNDS		
Profit for the year before taxation	3,349	1,326
Adjustment for items not involving the movement of funds:		
Depreciation	399	316
(Profit)/loss on disposal of fixed assets	(2)	2
TOTAL GENERATED FROM OPERATIONS	<u>3,746</u>	<u>1,644</u>
FUNDS FROM OTHER SOURCES		
Proceeds from disposals of fixed assets	2	33
Finance leases	651	-
Loan from holding company	"	2,050
	<u>4,399</u>	<u>3,727</u>
APPLICATION OF FUNDS		
Loan repayments	(739)	(16)
Purchase of fixed assets	(955)	(233)
Finance lease repayments	(254)	(104)
	<u>2,451</u>	<u>3,374</u>
INCREASE/(DECREASE) IN WORKING CAPITAL		
Stocks	4,400	(368)
Debtors	5,347	458
Creditors	(4,557)	(501)
	<u>5,190</u>	<u>(411)</u>
MOVEMENT IN NET LIQUID FUNDS		
(Decrease)/increase in cash at bank	(1,122)	1,173
(Increase)/decrease in bank overdraft	(1,617)	2,612
	<u>2,451</u>	<u>3,374</u>

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 JANUARY 1991

1 STATEMENT OF ACCOUNTING POLICIES

(a) Accounting convention

The accounts have been prepared on the basis of historical cost, as modified by the revaluation of land and buildings, and are in accordance with applicable accounting standards.

(b) Tangible fixed assets and depreciation

Tangible fixed assets are stated at valuation or at cost. Depreciation has been provided on a straight line basis that will write off the book amount of these assets over their expected useful lives. In general, annual depreciation rates are 4% for long leasehold buildings, 20% for plant, machinery and computer equipment, 7½% for fixtures and 25% for motor vehicles. Short leases are written off over the duration of the lease.

(c) Stocks

Stocks and work in progress are stated at the lower of cost and estimated net realisable value. Cost of manufactured products includes an appropriate proportion of factory overheads.

(d) Deferred taxation

Tax deferred or accelerated by the effect of timing differences is accounted for to the extent that a liability or asset is expected to crystallise.

(e) Overseas currencies

Profits and losses on exchange arising in the normal course of trade are dealt with in the profit and loss account.

Balances in overseas currencies are expressed in sterling at rates approximating to those ruling at the accounting date.

(f) Turnover

Turnover represents amounts charged to customers after deduction of returns and allowances and value added tax.

(g) Leased assets

Assets obtained under finance leases are capitalised in the balance sheet and are depreciated over the duration of the lease. 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 period of the lease.

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 JANUARY 1991 (CONTINUED)

(h) Pension costs

The costs of providing pensions for employees are charged in the profit and loss account over the average working life of employees in accordance with the recommendations of qualified actuaries. Any funding surpluses or deficits that may arise from time to time are amortised over the average working life of employees.

(i) Advertising and promotional costs

Advertising and promotional expenses are written off in the year in which they are incurred with the exception of catalogues and promotional material relating to the following seasons' ranges.

2 SEGMENT INFORMATION

All turnover and profit arises from the single activity of the sale of sports and leisurewear.

The geographical analysis of the company's turnover is as follows:

	<u>1991</u> £000	<u>1990</u> £000
United Kingdom	43,502	24,820
Other	<u>4,458</u>	<u>2,436</u>
	<u>47,960</u>	<u>27,256</u>

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>1991</u> £000	<u>1990</u> £000
Is stated after charging:		
Staff costs:		
Wages and salaries	5,941	4,234
Social security costs	436	324
Other pension costs	<u>118</u>	<u>120</u>
	<u>6,495</u>	<u>4,678</u>
Depreciation of tangible fixed assets (note 7)	399	316
Auditors' remuneration	30	25
Lease of plant and machinery	92	45
Contract hire of motor vehicles	<u>274</u>	<u>235</u>
Interest payable on bank borrowings repayable within five years	319	280
Interest on finance leased assets	<u>73</u>	<u>20</u>

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 JANUARY 1991 (CONTINUED)

4 EMPLOYEES

The average number of persons employed by the company during the year in the United Kingdom was 643 (1990 - 553).

5 DIRECTORS' REMUNERATION

	<u>1991</u> £000	<u>1990</u> £000
Directors' remuneration charged in the accounts:		
Remuneration for management services	<u>389</u>	<u>246</u>
The remuneration of the directors for management services, excluding pension contributions, was:		
Chairman and highest paid director	<u>80</u>	<u>47</u>

	<u>1991</u> Number	<u>1990</u> Number
Other directors		
£0 - £5,000	1	2
£30,001 - £35,000	-	2
£35,001 - £40,000	2	1
£40,001 - £45,000	1	1
£45,001 - £50,000	1	1
£50,001 - £55,000	1	-
£70,001 - £75,000	1	-

6 TAXATION

	<u>1991</u> £000	<u>1990</u> £000
Based on profits for the year:		
UK Corporation Tax at 34.16%	<u>1,050</u>	<u>-</u>

At 31 January 1991 there were no potential deferred taxation liabilities.

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 JANUARY 1991 (CONTINUED)

7 TANGIBLE FIXED ASSETS

	Long leasehold land and buildings £000	Short leasehold land and buildings £000	Plant and machinery, fixtures, motor vehicles and computer Installation		Total £000
			Purchased £000	Finance leased £000	
<u>Cost or valuation</u>					
At 1 February 1990	1,122	36	1,668	662	3,488
Additions	68	-	313	574	955
Disposals	-	-	(6)	-	(6)
At 1 February 1991	1,190	36	1,975	1,236	4,437
Comprising:					
Cost	68	-	1,975	1,236	3,279
Valuation	1,122	36	-	-	1,158
	1,190	36	1,975	1,236	4,437
<u>Depreciation</u>					
At 1 February 1990	74	36	1,003	560	1,873
Charge for the year	48	-	176	175	399
Disposals	-	-	(6)	-	(6)
At 31 January 1991	122	36	1,173	735	2,066
<u>Net Book Amount</u>					
At 31 January 1991	1,068	Nil	802	501	2,371
At 1 February 1990	1,048	Nil	665	102	1,815

The leasehold properties were revalued on 1 February 1989 on an open market, in existing use, basis by The Elliott Partnership, Chartered Surveyors.

For long leasehold land and buildings, the amount at which the assets would have been stated under historical cost principles is as follows:

	£000
Cost	818
Aggregate depreciation	(94)
	724

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 JANUARY 1991 (CONTINUED)

8 STOCKS

	<u>1991</u> £000	<u>1990</u> £000
Stocks comprise:		
Raw materials and consumables	785	621
Work in progress	1,372	806
Finished goods	6,837	3,167
	<u>8,994</u>	<u>4,594</u>

The net replacement value of stock is not materially different from that stated in the balance sheet.

9 DEBTORS

	<u>1991</u> £000	<u>1990</u> £000
Trade debtors	8,026	4,258
Other debtors	600	259
Prepayments and accrued income	2,117	879
	<u>10,743</u>	<u>5,396</u>

10 CREDITORS: Amounts falling due within one year

	<u>1991</u> £000	<u>1990</u> £000
Bank overdraft	1,617	-
Current instalment due on bank loan	-	90
Current instalment due on other loan	22	22
Trade creditors	4,207	1,811
Amounts owed to holding company	78	36
Obligations under finance leases (note 12)	145	81
Current corporation tax	982	-
Indirect tax and social security liabilities	122	78
Other creditors	35	51
Accruals and deferred income	3,634	1,475
	<u>10,842</u>	<u>3,644</u>

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 JANUARY 1991 (CONTINUED)

11 CREDITORS: Amounts falling due after more than one year

	<u>1991</u> £000	<u>1990</u> £000
Obligations under finance leases (note 12)	404	71
Loan from holding company	4,550	4,550
Bank loan	-	635
Other loan	30	44
	<u>4,984</u>	<u>5,300</u>

The loan from the holding company is repayable on demand and carries variable rates of interest. No interest has been charged this year. The holding company has indicated that it is not its present intention to require repayment in the foreseeable future.

12 FINANCE LEASES

	<u>1991</u> £000	<u>1990</u> £000
Amounts payable within one year	202	91
Amounts payable between one and five years	469	76
Less finance charges allocated to future periods	(122)	(15)
	<u>549</u>	<u>152</u>
Finance leases are analysed as:		
Current obligations	145	81
Non-current obligations	404	71
	<u>549</u>	<u>152</u>

13 OPERATING LEASES

At 31 January 1991, the company had annual commitments under non-cancellable operating leases as follows:

	<u>Plant and machinery</u>		<u>Motor vehicles</u>	
	<u>1991</u> £000	<u>1990</u> £000	<u>1991</u> £000	<u>1990</u> £000
Expiring:				
Within one year	72	25	282	40
Two to five years	148	14	210	160
In more than five years	-	6	-	-
	<u>220</u>	<u>45</u>	<u>492</u>	<u>200</u>

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 JANUARY 1991 (CONTINUED)

14 CALLED UP SHARE CAPITAL

	<u>1991</u> <u>£000</u>	<u>1990</u> <u>£000</u>
Authorised, allotted and fully paid - 160,000 ordinary shares of £1 each	<u>160</u>	<u>160</u>

15 RESERVES

	<u>Revaluation</u> <u>reserve</u> <u>£000</u>	<u>Profit and</u> <u>loss account</u> <u>£000</u>
At 1 February 1990	358	3,577
Profit for the financial year	-	2,299
Transfer from revaluation reserve	(14)	14
At 31 January 1991	<u>344</u>	<u>5,890</u>

16 CAPITAL COMMITMENTS

	<u>1991</u> <u>£000</u>	<u>1990</u> <u>£000</u>
Authorised and contracted	<u>Nil</u>	<u>479</u>

17 CONTINGENT LIABILITIES

The company has issued a fixed and floating charge over its assets, and joint and several guarantees in respect of the group's United Kingdom bank overdraft of £1,198,000 at 31 January 1991.

The company has issued letters of credit to suppliers for £458,000. The letters of credit are renewed six-monthly and are redeemable by the suppliers at any time. They serve as financial guarantees to the suppliers.

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 JANUARY 1991 (CONTINUED)

18 PENSION COMMITMENTS

The company operates pension schemes providing benefits based on final pensionable pay. The assets of the schemes, which are held separately from those of the company, are invested with insurance companies. Contributions to the schemes are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The rates of contributions are determined by qualified actuaries on the basis of triennial valuations using the projected accrued and projected unit methods. The pension charge for the year was £118,000 (1990 - £120,000).

The most recent actuarial valuations were at 6 April 1990 and 6 April 1988 respectively. The main assumptions used in those valuations were that investment returns would exceed salary growth by 1% per annum on average. The market value of the most recent actuarial valuations showed that the schemes' assets were £2,236,000, which is sufficient to meet fully the accrued benefits in both schemes.

19 HOLDING COMPANY

The company is a wholly owned subsidiary of Humphreys Bros., Limited, a company incorporated in England. Copies of the group accounts may be obtained from the registered office noted on page 2.