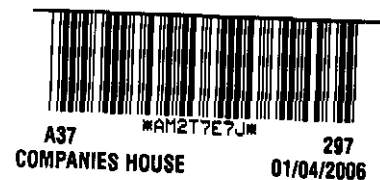


198168

UMBRO INTERNATIONAL LIMITED

**Report and Accounts
31 December 2005**



DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005

The Directors present their report and the audited accounts of the Company for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The Company designs, markets, licenses and distributes sports and leisurewear.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Directors are pleased to announce an operating profit of £33,150,000 (2004: £24,582,000).

Profit before tax was £34,977,000 (2004: £24,040,000) for the year.

TRADING RESULTS AND DIVIDEND

The profit for the year after tax was £24,435,000 (2004: £18,541,000).

There was a £9,000,000 dividend paid during the year to the immediate parent company (2004: £Nil).

SUPPLIER PAYMENT POLICY

The Company does not follow a code but operates a payment policy to agreed terms in settling outstanding debts. For certain types of regular contracted services, the Company encourages direct debit or standing order arrangements. Most other suppliers have terms of payment that are agreed when the account is opened. The majority of payments are made by electronic transfer direct to suppliers' bank accounts. The amount of trade creditors shown in the balance sheet represents 36 days (2004: 25 days) of average purchases during the year for the Company.

DIRECTORS

The Directors who served on the Board during the year were as follows:

P McGuigan
D A Hare
G Haslehurst

P McGuigan and G Haslehurst are Directors of the Company's ultimate parent undertaking, Umbro plc, and their interests are disclosed in the accounts of that Company. D A Hare held a beneficial interest in nil ordinary shares of Umbro plc at 31 December 2005 (2004: 20,000 Ordinary shares), and holds the conditional awards as set out in the table below:

Scheme	Options granted in year	31 December 2005	Exercise price (pence)	Date from which exercisable	Date of lapse
SAYE 2004	-	11,781	80	28/5/07	28/11/07
LTIP 2004	-	31,382	nil	28/5/07	28/5/11
LTIP 2005	21,000	21,000	nil	21/3/09	21/3/12

None of the Directors had any interest in the shares of the Company at 31 December 2005 or 31 December 2004.

INTEREST RATE RISK

The Company finances its operations through a mixture of retained profits and bank borrowings. The Company's operating activities are principally financed by floating rate borrowings. The Company currently does not hedge its interest rate risks, although this policy is reviewed regularly.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005 (Continued)

LIQUIDITY RISK

Short-term flexibility is achieved by overdraft facilities which are sufficient to meet the Company's foreseeable working capital requirements.

FOREIGN CURRENCY RISK

The Company has exposure to foreign currency risk and hedges these risks by foreign exchange contracts taken out with its bankers.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005 (Continued)

DIRECTORS' RESPONSIBILITIES

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 that the financial statements comply with IFRS; 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 they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts 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.

EMPLOYEES

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.

Employees are kept informed by regular meetings and presentations from the management, and by official company notices at each site.

CHARITABLE CONTRIBUTIONS

During the year the company made charitable contributions of £4,000 (2004 : £3,000).

BY ORDER OF THE BOARD



D A Hare

Company Secretary

9 March 2006

Umbro House
Lakeside
Cheadle
Cheshire
SK8 3GQ

Company Registered Number: 198168

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UMBRO INTERNATIONAL LIMITED

We have audited the financial statements of Umbro International Limited for the year ended 31 December 2005 which comprise the primary financial statements such as the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with IFRSs as adopted by the European Union, of the state of the Company's affairs as at 31 December 2005 and of its profit and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester

9 March 2006

Income Statement
for the year ended 31 December

		2005	2004
	Note	£'000	£'000
Total wholesale equivalent	2	351,903	356,258
Turnover	2	120,498	138,563
Cost of sales		(75,293)	(94,671)
Exceptional items	7	(16,854)	-
Total cost of sales		(92,147)	(94,671)
Gross profit		28,351	43,892
Selling and distribution costs		(16,776)	(14,657)
Administration expenses		(8,179)	(8,088)
Other operating income	4	4,039	3,435
Exceptional items	7	25,715	-
Total other operating income		29,754	3,435
Operating profit		33,150	24,582
Finance costs	5	(1,062)	(785)
Exceptional items	7	(469)	-
Total finance costs		(1,531)	(785)
Finance income	6	3,358	243
Profit before tax	3	34,977	24,040
Taxation	8	(10,542)	(5,499)
Profit for the period attributable to equity holders transferred to reserves		24,435	18,541

The annexed notes form part of these accounts.
The results shown are in respect of continuing activities.

Statement of recognised income and expense
for the year ended 31 December

	2005 £'000	2004 £'000
Profit for the financial year	24,435	18,541
Cash flow hedges:		
- net fair value gains	4,931	-
Actuarial (loss) / gain	(2,442)	1,118
Deferred tax on actuarial loss / (gain)	733	(335)
Total recognised income for the year	27,657	19,324
Adjustments arising on first time adoption of IAS 32 and 39	(2,597)	-
Total gains recognised since last financial statements	25,060	19,324

Balance Sheet
as at 31 December

		2005	2004
	Note	£'000	£'000
Assets			
Non-current assets			
Investments in subsidiaries	9	65,557	65,528
Investment in associate	10	6,798	-
Property, plant, and equipment	11	2,486	2,217
Intangible assets	12	1,220	1,447
Deferred tax asset	13	3,061	2,114
		79,122	71,306
Current assets			
Inventories	14	6,991	6,533
Trade and other receivables	15	108,585	66,895
Financial assets	19	2,346	-
Cash and cash equivalents		1,130	8,588
		119,052	82,016
Liabilities			
Current liabilities			
Trade and other payables	16	112,552	98,252
Financial liabilities	17	9,024	339
Current tax liabilities		4,545	1,052
		126,121	99,643
Net current liabilities		(7,069)	(17,627)
Non-current liabilities			
Financial liabilities	17	34	106
Other non-current liabilities	18	10,095	10,353
Retirement benefit liability	23	8,008	5,364
		18,137	15,823
Net assets		53,916	37,856
Shareholders' equity			
Equity share capital	20	160	160
Other reserves	20	53,756	37,696
Total equity	21	53,916	37,856

Approved by the Board on 9 March 2006



D A Hare
Director

The annexed notes form part of these accounts.

Statement of Cash Flows
for the year ended 31 December

	Note	2005 £'000	2004 £'000
Cash flows from operating activities			
Cash inflow/(outflow) from operations	27	2,232	(20,528)
Interest and finance costs paid		(1,531)	(785)
Interest received		3,358	243
Tax paid		(7,048)	(5,098)
Net cash outflow from operating activities		(2,989)	(26,168)
Cash flows from investing activities			
Payments to acquire investments		(29)	(30)
Acquisition of associate undertaking		(2,754)	-
Purchase of property, plant and equipment		(951)	(574)
Purchase of intangible assets		(317)	(752)
Proceeds from sale of property, plant and equipment		23	15
Net cash used in investing activities		(4,028)	(1,341)
Cash flows from financing activities			
Capital element of finance lease rental payments		(313)	(183)
Proceeds from capital contribution		-	35,000
Ordinary dividends paid		(9,000)	-
Net cash (used) / generated by finance activities		(9,313)	34,817
Net (decrease)/increase in cash and cash equivalents		(16,330)	7,308
Cash and cash equivalents at beginning of the period		8,588	1,280
Cash and cash equivalents at end of the period		(7,742)	8,588

NOTES TO THE ACCOUNTS - 31 DECEMBER 2005

1. Statement of accounting policies

a. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those of the Companies Act 1985 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities held for trading. A summary of the more important policies is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

A reconciliation and explanation of the differences between the previous accounts under UK GAAP and IFRS is contained at the end of the notes to the accounts.

b. Consolidation

The results of the subsidiaries have not been consolidated into Umbro International Limited, as permitted by S228 of the Companies Act 1985. The financial statements present information about the Company as an individual undertaking and not about its group.

c. Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from other segments. The Company has identified the principal business segments as buy/sell and licensee. Those costs which cannot be reasonably allocated to either segment are separated as "unallocated".

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

d. Intangible fixed assets

Intangible fixed assets are stated at historical cost less amortisation. Amortisation of intangible fixed assets is calculated to write off the cost of the assets in equal annual instalments over their estimated useful lives at the following rates:

Computer software	25%
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e. Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical cost less depreciation.

Depreciation of tangible fixed assets is calculated to write off the cost of the assets less net realisable value in equal annual instalments over their estimated useful lives at the following rates:

Plant and machinery	20%
Fixtures	10%
Motor vehicles	25%
Computer and office equipment	25%

f. Investments

Investments are stated at cost less any provision for impairment.

NOTES TO THE ACCOUNTS - 31 DECEMBER 2005 (CONTINUED)

g. Inventory

Inventory is stated at the lower of cost and net realisable value. Provision is made to reduce cost to net realisable value having regard to the age, saleability and condition of inventory.

h. Deferred taxation

Deferred tax is recognised on all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised only to the extent that, based on all available evidence, it is considered 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 a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted by the balance sheet date.

i. Foreign currency

1. Transactions in foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies which are held at year-end are translated into sterling at the rate of exchange ruling at the balance sheet date.

2. Hedging activities – cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss on the ineffective part is shown in the income statement. Amounts accumulated in equity are recycled into the income statement in the periods when the hedged item will affect income. When the hedge is used to purchase a non-financial asset, such as inventory, the amounts accumulated in equity are transferred to the cost of the asset.

j. Turnover

1. Buy/Sell operations

Turnover represents amounts charged to external customers after deduction of returns and allowances, discounts and VAT. Turnover is recognised on despatch of goods.

2. Royalties

Royalty income from licensee activities is included in turnover and represents royalties due on sales made (or in some cases on merchandise sourced from suppliers) by royalty partners.

'Total wholesale equivalent sales' represents the Company's wholesale sales (where the Company acts as principal), plus the wholesale equivalent value of its licensees' sales, from which Umbro is entitled to royalties (where the Company acts as agent).

k. Sports marketing costs

1. Basic payments

Payments under team and individual player sports marketing contracts are charged to the profit and loss account over the active life of the contract.

2. Additional payments

Some contracts include a requirement to make additional payments where wholesale sales, over defined periods, exceed specified levels. The Company forecasts total sales over the defined period and charges the additional royalty expense to the profit and loss account on a pro rata basis. Subsequent revisions to estimates for earlier years are charged to the profit and loss account in the current year, rather than being spread prospectively. Other additional payments specified in team and individual players' contracts are charged to the profit and loss account as incurred.

NOTES TO THE ACCOUNTS - 31 DECEMBER 2005 (CONTINUED)

3. Impairment

All contracts are individually reviewed annually and impairment charges raised as needed.

l. Leased assets

Assets held under finance leases where substantially all the benefits and risks of ownership are transferred to the Company, are capitalised as tangible fixed assets in the balance sheet and are depreciated over the useful economic life 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 in respect of operating leases, under which substantially all the benefits and risks of ownership remain with the lessors, are charged to the profit and loss account on a straight line basis over the period of the lease.

m. Pension costs

The Company operates both a defined benefit scheme and defined contribution schemes.

A full actuarial valuation using the projected unit method of the defined benefit scheme is carried out every three years with interim reviews in the intervening years.

The liability recognised in the balance sheet in respect of the defined benefit pension scheme is the present value of the defined benefit obligation at the balance sheet date less the fair value of scheme assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately through the Statement of Recognised Income and Expense, as permitted by the amended version of IAS19. The change in the accounting treatment differs to the "corridor" approach adopted for the interim 2005 accounts following the subsequent endorsement of the amended version of IAS 19 by the EU.

Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period.

n. Financial instruments

The Company adopted IAS 32 and 39 from 1 January 2005 and has taken advantage of the exemption from restating comparative information. The main changes on adoption have been to fair value foreign exchange contracts and record these on the balance sheet as financial assets or liabilities. The Company has adopted hedge accounting in relation to these foreign exchange contracts. A more detailed accounting policy for the treatment of financial instruments is set out below:

Derivatives are initially recognised and measured at fair value on the date a derivative contract is entered into and subsequently measured at fair value. The gain or loss on re-measurement is taken to the income statement except where the derivative is a designated cash flow hedging instrument. The accounting treatment of derivatives classified as hedges depends on their designation, which occurs on the date that the derivative contract is committed to. The Company designates derivatives as:

A hedge of the fair value of an asset or liability ('fair value hedge').

A hedge of the income/cost of a highly probable forecasted transaction or commitment ('cash flow hedge').

A hedge of a net investment in a foreign entity.

In order to qualify for hedge accounting, the Company is required to document in advance the relationship between the item being hedged and the hedging instrument. The Company is also required to document the relationship between the hedged item and the hedging instrument and demonstrate that the hedge will be highly effective on an on-going basis. This effectiveness testing is re-performed at each period end to ensure that the hedge remains highly effective.

Gains or losses on fair value hedges that are regarded as highly effective are recorded in the income statement along with the fair value gain or loss on the hedged item attributable to the hedged risk. Gains or losses on cash flow hedges that are regarded as highly effective are recognised in equity. Where the forecast transaction results in a financial asset or liability gains or losses previously recognised in equity are reclassified to profit or loss in the same period as the asset or liability affects profit or loss. Where the forecasted transaction or commitment results in a non-financial asset or a liability, then any

NOTES TO THE ACCOUNTS - 31 DECEMBER 2005 (CONTINUED)

gains or losses previously deferred in equity are included in the carrying amount of the related asset or liability. If the forecasted transaction or commitment results in future income or expenditure, gains or losses deferred in equity are transferred to the income statement in the same period as the underlying income or expenditure. The ineffective portions of the gain or loss on the hedging instrument are not recognised in equity, rather they are recognised immediately in profit or loss.

For the portion of hedges deemed ineffective or transactions that do not qualify for hedge accounting under IAS 39, any change in assets or liabilities is recognised immediately in the income statement. Where a hedge no longer meets the effectiveness criteria, any gains or losses deferred in equity are only transferred to the income statement when the committed or forecasted transaction is recognised in the income statement. However, where an entity applied cash flow hedge accounting for a forecasted or committed transaction that is no longer expected to occur, then the cumulative gain or loss that has been recorded in equity is transferred to the income statement. When a hedging instrument expires or is sold, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. Where the Company hedges net investments in foreign entities through currency borrowings, the gains or losses on the translation of the borrowings are recognised in equity. If the Company uses derivatives as the hedging instrument, the effective portion of the hedge is recognised in equity with any ineffective portion being recognised in the income statement. The Company has not separated out the interest element of the fair value of the forward currency contract. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

Fair value estimation

The fair value of the interest rate swaps and currency swaps is based on the market price of comparable instruments at the balance sheet date if they are publicly traded. The fair value of the forward currency contracts has been determined based on market forward exchange rates at the balance sheet date.

The fair values of short-term deposits, loans and overdrafts with a maturity of less than one year are assumed to approximate to their book values..

o. Cost of sales

Cost of sales comprises the cost of purchasing products for the buy/sell operations, sports marketing costs, and design and development costs.

p. Cash equivalents

The Company considers all highly liquid investments with original maturity dates of three months or less to be cash equivalents.

NOTES TO THE ACCOUNTS - 31 DECEMBER 2005 (CONTINUED)

2. Turnover

All turnover arises from the single activity of the sale of sports and leisurewear. The analysis of the Company's turnover is as follows:

Segmental Analysis

Business Analysis

	2005 £'000	2004 £'000
Turnover – Buy/sell operations		
Licensed apparel	73,425	92,145
Branded apparel	11,232	11,889
<i>Total apparel</i>	84,657	104,034
Footwear	8,792	8,454
Equipment and other	2,962	3,560
	96,411	116,048
Turnover – Royalty Income		
Licensed apparel	4,500	3,889
Branded apparel	10,717	9,908
<i>Total apparel</i>	15,217	13,797
Footwear	6,740	5,911
Equipment and other	2,130	2,807
	24,087	22,515
Total Turnover		
Licensed apparel	77,925	96,034
Branded apparel	21,949	21,797
<i>Total apparel</i>	99,874	117,831
Footwear	15,532	14,365
Equipment and other	5,092	6,367
	120,498	138,563
Wholesale Equivalent of Royalty Income		
Licensed apparel	30,363	23,393
Branded apparel	122,953	109,325
<i>Total apparel</i>	153,316	132,718
Footwear	76,810	65,852
Equipment and other	25,366	41,640
	255,492	240,210
Total Wholesale Equivalent		
Licensed apparel	103,788	115,538
Branded apparel	134,185	121,214
<i>Total apparel</i>	237,973	236,752
Footwear	85,602	74,306
Equipment and other	28,328	45,200
	351,903	356,258

NOTES TO THE ACCOUNTS - 31 DECEMBER 2005 (CONTINUED)

Segment information

Primary reporting format- business segments

The segment results for year ended 31 December 2005

	Buy/sell £'000	Licensee £'000	Unallocated £'000	Total £'000
Turnover	96,411	24,087	-	120,498
Operating profit	7,197	17,091	8,862	33,150
Net finance income	-	-	1,827	1,827
Profit before tax	7,197	17,091	10,689	34,977
Tax	-	-	(10,542)	(10,542)
Profit for the year	7,197	17,091	147	24,435

The segment results for year ended 31 December 2004

	Buy/sell £'000	Licensee £'000	Unallocated £'000	Total £'000
Turnover	116,048	22,515	-	138,563
Operating profit/(loss)	9,173	15,420	(11)	24,582
Net finance costs	-	-	(542)	(542)
Profit / (loss) before tax	9,173	15,420	(553)	24,040
Tax	-	-	(5,499)	(5,499)
Profit / (loss) for the year	9,173	15,420	(6,052)	18,541

Segment information

Primary reporting format- business segments

Other non-cash segment items included in the income statement for year ended 31 December 2005

	Buy/sell £'000	Licensee £'000	Unallocated £'000	Total £'000
Depreciation	723	-	-	723
Amortisation of intangible assets	544	-	-	544
Impairment/(recovery) of trade receivables	(32)	222	-	190
Exceptional items – compensation for loss of contract	-	-	(24,500)	(24,500)
Exceptional items – NFC contract accrual	-	-	10,000	10,000
Exceptional items – FA contract termination and renewal	-	-	4,854	4,854

Other non-cash segment items included in the income statement for year ended 31 December 2004

	Buy/sell £'000	Licensee £'000	Unallocated £'000	Total £'000
Depreciation	710	-	-	710
Amortisation of intangible assets	302	-	-	302
Recovery of trade receivables	(140)	(566)	-	(706)

NOTES TO THE ACCOUNTS - 31 DECEMBER 2005 (CONTINUED)

Segment assets and liabilities and capital expenditure for year ended 31 December 2005

	Buy/sell £'000	Licensee £'000	Unallocated £'000	Total £'000
Assets	35,714	5,313	157,147	198,174
Liabilities	(44,687)	(4,296)	(95,275)	(144,258)
Capital expenditure	1,321	-	-	1,321
Acquisition of associated undertaking	-	-	6,798	6,798

Segment assets and liabilities and capital expenditure for year ended 31 December 2004

	Buy/sell £'000	Licensee £'000	Unallocated £'000	Total £'000
Assets	29,345	5,337	118,640	153,322
Liabilities	(22,822)	(7,655)	(84,989)	(115,466)
Capital expenditure	1,325	-	-	1,325

The business at the date of these accounts comprises two segments: buy/sell and licensee. Items that cannot be reasonably allocated to these segments are classified as "unallocated".

The buy/sell business is that in which the Company sells product to customers as principal. The licensee business is that in which the Company licenses third parties to sell product containing the Company's trademarks in return for a royalty.

Unallocated represents exceptional items, holding Company costs, interest, share of associate's net profit, and tax in the income statement, and exceptional items, investment in associate, loans and pension deficit in the balance sheet.

NOTES TO THE ACCOUNTS - 31 DECEMBER 2005 (CONTINUED)

Segmental Analysis

Geographical Analysis

	2005 £'000	2004 £'000
Turnover – Buy/sell operations		
United Kingdom	93,230	113,989
Rest of Europe	3,073	1,940
North and South America	108	119
	96,411	116,048
 Turnover – Royalty Income		
United Kingdom	4,283	3,720
Rest of Europe	11,385	12,818
Asia Pacific	5,022	3,559
North and South America	3,397	2,418
	24,087	22,515
 Total Turnover		
United Kingdom	97,513	117,709
Rest of Europe	14,458	14,758
Asia Pacific	5,022	3,559
North and South America	3,505	2,537
	120,498	138,563
 Wholesale Equivalent of Royalty Income		
United Kingdom	28,096	24,828
Rest of Europe	124,667	141,440
Asia Pacific	55,170	49,177
North and South America	47,559	24,765
	255,492	240,210
 Total Wholesale Equivalent		
United Kingdom	121,326	138,817
Rest of Europe	127,740	143,380
Asia Pacific	55,170	49,177
North and South America	47,667	24,884
	351,903	356,258

Turnover and licensee royalty income is allocated based on where the customer is located.

Total assets and all capital expenditure are situated within the United Kingdom.

NOTES TO THE ACCOUNTS - 31 DECEMBER 2005 (CONTINUED)

3. Profit before tax

	2005 £'000	2004 £'000
Profit before tax is stated after charging / (crediting):		
Cost of inventories	43,141	59,573
Sports marketing costs (included in cost of sales)	28,219	31,528
Design & development costs (included in cost of sales)	3,935	3,588
Staff costs	12,275	9,897
Depreciation of owned property plant and equipment	439	614
Depreciation of leased property plant and equipment	284	96
Amortisation of intangible assets (included in administration)	544	302
Profit on sale of fixed assets	(11)	(8)
Auditors' remuneration for audit services – UK	127	96
Auditors' remuneration for non audit services - UK	117	210
Operating lease rentals:		
Land and buildings	1,901	1,956
Plant and machinery	17	110
Impairment / (recovery) of trade receivables	190	(706)

Non-audit services represent the provision of taxation advice of £92,000 (2004: £210,000) and IFRS compliance advice of £25,000 (2004: £nil).

In addition to the above services, the Company's auditors acted as auditor to the Umbro pension plan. The appointment of the auditors to the pension plan and the fees in respect of that audit are agreed by the trustees of the plan who act independently to the management of the Company. The fees paid to the auditor in respect of the pension plan were £4,000.

4. Other operating income

	2005 £'000	2004 £'000
Rental	1,312	1,268
Commissions	2,716	2,159
Profit on disposal of fixed assets	11	8
	4,039	3,435
Exceptional items		
Compensation for early termination of Chelsea contract	24,410	-
Reduction in accrual for Office of Fair Trading fine	1,305	-
Total other operating income	29,754	3,435

Rental income is in respect of money received for the leasing of unused warehouse space.

Commissions income relates to amounts earned for arranging stock purchases with suppliers, on behalf of customers.

5. Finance costs

	2005 £'000	2004 £'000
Interest payable to ultimate parent company	413	308
Bank loans and overdrafts	564	369
Interest on finance lease assets	24	40
Other interest payable	61	68
	1,062	785
Exceptional items		
Interest on delayed payment of OFT fine	469	-
Total finance costs	1,531	785

NOTES TO THE ACCOUNTS - 31 DECEMBER 2005 (CONTINUED)

6. Finance income

	2005 £'000	2004 £'000
Interest receivable from subsidiary companies	3,232	-
Other	126	243
	3,358	243

7. Exceptional items

	2005 £'000
Exceptional items included under cost of sales are:	
Sponsorship of National Football Centre	12,000
Termination and renewal of Football Association contract	4,854
	16,854
Exceptional items included under other income are:	
Compensation for loss of Chelsea contract	24,410
Reduction in Office of Fair Trading ("OFT") fine provision	1,305
	25,715
Exceptional items included under interest are:	
Interest on delayed payment of OFT fine	469

The contract with the FA, which was entered into in 2002, was terminated and renewed for a further four years to July 2014 in December 2005. There was a termination payment of £3m and other non-cash costs of £1.9m required to wind up the previous agreements. In addition, the Company entered into a £12m sponsorship contract with the National Football Centre, payable in intervals to June 2007. The full cost of this sponsorship contract has been charged in 2005 in line with generally accepted accounting practice, and so this combines with the termination arrangements to produce a net exceptional charge of £16.9m.

The tax effect of the exceptional items is a charge for the year of £2.3m.

NOTES TO THE ACCOUNTS - 31 DECEMBER 2005 (CONTINUED)

8. Taxation

	2005 £'000	2004 £'000
Analysis of charge for the year all relating to continuing operations		
Current tax		
UK Corporation tax		
Current tax on income at 30% (2004: 30%)	(9,261)	(3,334)
Adjustments in respect of prior years	-	1,326
	(9,261)	(2,008)
Foreign tax		
Corporation taxes	(1,067)	(826)
Total current tax charge	(10,328)	(2,834)
Deferred tax		
Origination and reversal of timing differences	36	(2,665)
Timing differences on share incentive schemes	(250)	-
Tax charge on profit on ordinary activities	(10,542)	(5,499)

The tax rate applicable on profit from ordinary activities varied from the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	2005 £'000	2004 £'000
Profit on ordinary activities before tax	34,977	24,040
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(10,493)	(7,212)
Effects of:		
Adjustments to tax in respect of prior periods	-	1,326
Utilisation of losses	-	3,447
Other timing differences	(61)	(2,416)
Capital allowances	(48)	-
Items not assessable for tax purposes:		
Other potentially disallowable costs	(191)	(644)
Office of Fair Trading fine reduction	251	-
Tax charge on profit on ordinary activities	(10,542)	(5,499)

Analysis of tax movements taken to reserves:

	2005 £'000	2004 £'000
Deferred tax on actuarial losses taken to reserves	733	(335)

NOTES TO THE ACCOUNTS - 31 DECEMBER 2005 (CONTINUED)

9. Investments in subsidiaries

	2005 £'000	2004 £'000
Cost		
At 1 January	65,528	65,498
Acquisition of additional 2% shareholding in USISL Inc	29	30
At 31 December	65,557	65,528

	Proportion of ordinary share capital held	Country of incorporation and operation	Nature of business
Umbro Hong Kong Limited	100%	Hong Kong	Management company
Umbro Licensing Limited	100%	UK	Dormant company
USISL Inc.	64%	USA	Soccer league management
Umbro Corp.	100%	USA	Sportswear trading
Umbro Sportswear Ltd	100%	UK	Dormant company
Umbro.com Limited	100%	UK	Dormant company

In the opinion of the Directors the aggregate value of the company's investments in subsidiary undertakings (including amounts owed by subsidiary undertakings) is not less than the amount at which they are stated in the accounts.

10. Investments in associates

	2005 £'000	2004 £'000
Cost		
At 1 January	-	-
Acquisition of 25% shareholding in Team and Sports	6,798	-
At 31 December	6,798	-

Umbro International Limited acquired a 25% interest in the A and B ordinary shares of Team and Sports Limited, a company incorporated in Hong Kong with interests in Hong Kong, China and Taiwan. The interest has been treated as an associate on the basis that the Umbro Group only has significant influence and not control of the financial and operating policies of the Company.

The purchase consideration is payable as follows: £2.6m on acquisition (30 September 2005), £1.3m on 31 July 2006, and the balance of approximately £2.7m quarterly over the period January 2006 to January 2011. The latter payments are based on 1.5% of the sales of Team and Sport Limited, and are the best estimates based on the likely future sales.

NOTES TO THE ACCOUNTS - 31 DECEMBER 2005 (CONTINUED)

The following represents the gross financial information of the Company at 31 December 2005:

	2005
	£'000
Assets	16,054
Liabilities	(15,313)
Net profit for the year	3,756

11. Tangible fixed assets

	2005	2004
	£'000	£'000
Plant and Equipment		
Cost		
At 1 January	6,436	6,060
Additions	1,004	573
Disposals	(406)	(197)
At 31 December	7,034	6,436
Depreciation		
At 1 January	4,219	3,699
Charge for the year	723	710
Disposals	(394)	(190)
At 31 December	4,548	4,219
Net Book Value		
At 31 December	2,486	2,217

The cost of fixed assets above includes assets held under finance leases amounting to £1,316,000 (2004: £3,223,000) and their net book value as at 31 December 2005 amounted to £377,000 (2004: £1,708,000).

NOTES TO THE ACCOUNTS - 31 DECEMBER 2005 (CONTINUED)

12. Intangible assets

	Computer software
	£'000
Cost	
At 1 January	1,953
Addition	317
At 31 December	2,270
Amortisation	
At 1 January	506
Charge for year	544
At 31 December	1,050
Net book value	
At 31 December 2005	1,220
at 31 December 2004	1,447

13. Deferred tax asset

	Capital allowances in advance of depreciation £'000	Pension deficit £'000	Other £'000	Share incentive schemes £'000	Total £'000
At 1 January 2005	260	1,658	196	-	2,114
Credit to reserves	-	733	-	-	733
Profit and loss (charge)/credit	39	-	(75)	250	214
At 31 December 2005	299	2,391	121	250	3,061

14. Inventories

	2005 £'000	2004 £'000
Finished goods	6,991	6,533

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

NOTES TO THE ACCOUNTS - 31 DECEMBER 2005 (CONTINUED)

15. Current assets – Trade and other receivables

	2005 £'000	2004 £'000
Trade debtors	23,635	14,415
Less: provision for impairment	(139)	(195)
Trade debtors - net	23,496	14,220
Amount due from immediate parent undertaking	51,232	41,433
Amount due from subsidiary undertakings	1,867	977
Other debtors	25,158	4
Prepayments and accrued income	6,832	10,261
	108,585	66,895

The "other debtors" balance includes £24,500,000 in respect of compensation for early termination of the Chelsea contract due to be received in June 2006.

Concentration of credit risk in relation to trade receivables is limited due to the Company's customer base being large and unrelated. As a result management consider no further credit risk provision is required in excess of normal provisions for doubtful debts.

16. Current liabilities – Trade and other payables

	2005 £'000	2004 £'000
Trade creditors	12,364	7,370
Amounts owed to ultimate parent undertaking	6,345	16
Amounts owed to subsidiary undertakings	65,139	65,144
Deferred income	3,400	3,400
Other tax and social security	317	228
Other creditors	2,743	452
Accruals	22,244	21,642
	112,552	98,252

Included in the amounts owed to subsidiaries is £65,000,000 in respect of the transfer of licences from Umbro Licensing Limited.

17. Financial liabilities

	2005 £'000	2004 £'000
Current borrowings:		
Bank borrowings (secured, all £ sterling):		
Overdraft facility	8,872	-
Obligations under finance leases	152	339
	9,024	339
Non-current borrowings:		
Bank borrowings (secured, all £ sterling):		
Obligations under finance leases	34	106
	34	106

At 31 December 2005, the Company had issued fixed and floating charges over its assets and those of its subsidiaries in respect of the United Kingdom bank borrowings of £8,872,000 at that date (2004: £nil).

The maximum £51m revolving credit and asset based facility matures on 31.12.08 and a £6m guarantee facility has a maturity date of 31.12.07.

NOTES TO THE ACCOUNTS - 31 DECEMBER 2005 (CONTINUED)

18. Other non-current liabilities

	2005 £'000	2004 £'000
Other creditors and accruals	6,266	-
Loan from immediate parent undertaking	2,933	6,098
Deferred Income	896	4,255
	10,095	10,353

The parent undertaking has indicated that it is not its intention to require repayment within twelve months of the balance sheet date

19. Financial instruments

Current assets – Financial assets		
	2005 £'000	2004 £'000
Forward foreign exchange contracts	2,346	-

The Company enters into forward foreign currency contracts. The purpose of such transactions is to manage cash flow currency risks associated with:

- i. Stock purchases denominated in foreign currency; and
- ii. Royalty receipts denominated in foreign currency.

It is, and has been through the period under review, the Company's policy that no trading in financial instruments shall be undertaken.

Fair values of financial assets and financial liabilities

With the exception of forward currency contracts, the book value of the Company's financial assets and liabilities approximates their fair value.

The fair value of the derivative financial instruments is no different from the values in the table above.

The net fair value gains at 31 December 2005 on open foreign exchange contracts that hedge the cash flow currency risks of anticipated future purchases are £2.3m. These are included in the hedge reserves and will be transferred to the income statement over the next 12 months. There were no derivatives outstanding at the balance sheet date that were designated as fair value hedges.

NOTES TO THE ACCOUNTS - 31 DECEMBER 2005 (CONTINUED)

Maturity of financial liabilities

The maturity profile of the carrying amount of the Company's financial liabilities during the period, other than short-term trade creditors and accruals, was as follows:

	Overdraft Facility £'000	Finance Leases £'000	2005 Total £'000
Year ended 31 December 2005			
Within one year, or on demand	8,872	152	9,024
In more than one year but not more than two years	-	34	34
Total	8,872	186	9,058

	Overdraft Facility £'000	Finance Leases £'000	2004 Total £'000
Year ended 31 December 2004			
Within one year, or on demand	-	340	340
In more than one year but not more than two years	-	106	106
Total	-	446	446

Borrowing facilities

The Company has the following undrawn committed borrowing facilities available during the period covered by the Financial Statements in respect of which all conditions precedent had been met at the balance sheet date:

	2005 £'000	2004 £'000
Expiring within 1 year	-	-
Expiring between 1 and 2 years	6,000	-
Expiring in more than 2 years	19,904	17,653
	25,904	17,653

At 31 December 2005, the Company had a maximum £51m revolving credit and asset-based facility, and a £6m undrawn guarantee facility. Commitment fees are incurred on the undrawn portion of the facility at market rates. There are no fixed interest rate facilities in the above.

The effective interest rates at the balance sheet date were:	2005	2004
Bank borrowings and overdraft	6.7%	7.1%
Finance leases	8.0%	8.0%

NOTES TO THE ACCOUNTS - 31 DECEMBER 2005 (CONTINUED)

20. Share capital and reserves

	2005		2004	
	Number '000	£'000	Number '000	£'000
Issued:				
Ordinary shares of £1 each	200	200	200	200
Allotted, called up and fully paid:				
Ordinary shares of £1 each	160	160	160	160

Analysis of reserves

	Hedge reserve £'000	Capital reserve £'000	Retained profits £'000	Total £'000
At 1 January 2005	-	35,000	2,696	37,696
Adjustment on adoption of IAS 32 & 39	(2,597)	-	-	(2,597)
Cash flow hedges	4,931	-	-	4,931
Profit for financial period	-	-	24,435	24,435
Actuarial losses on pension fund	-	-	(2,442)	(2,442)
Deferred tax on pension deficit movement	-	-	733	733
Ordinary dividends	-	-	(9,000)	(9,000)
At 31 December 2005	2,334	35,000	16,422	53,756

21. Statement of changes in equity

	Share capital £'000	Capital reserve £'000	Hedge reserve £'000	Retained profits £'000	Total equity £'000
At 1 January 2004 as previously stated under UK GAAP	160	-	-	(12,201)	(12,041)
Capital contribution from Umbro International Holdings Limited	-	35,000	-	-	35,000
IAS 19 pension adjustments	-	-	-	(6,324)	(6,324)
Deferred tax on IAS 19 adjustments	-	-	-	1,897	1,897
Profit for financial period	-	-	-	18,541	18,541
Actuarial gains on pension fund during the year	-	-	-	1,118	1,118
Deferred tax on pension actuarial gains	-	-	-	(335)	(335)
At 31 December 2004	160	35,000	-	2,696	37,856
At 1 January 2005	160	35,000	-	2,696	37,856
Adjustment on adoption of IAS 32 & 39	-	-	(2,597)	-	(2,597)
Net fair value gains	-	-	4,931	-	4,931
Profit for financial period	-	-	-	24,435	24,435
Actuarial losses on pension fund	-	-	-	(2,442)	(2,442)
Deferred tax on pension deficit movement	-	-	-	733	733
Ordinary dividends	-	-	-	(9,000)	(9,000)
At 31 December 2005	160	35,000	2,334	16,422	53,916

NOTES TO THE ACCOUNTS - 31 DECEMBER 2005 (CONTINUED)

22. Employee costs and Directors' remuneration

	2005 £'000	2004 £'000
Staff costs (including Directors' remuneration) for the Company during the year were as follows:		
Wages and salaries	9,917	8,298
Social security costs	974	927
Other pension costs	785	438
Equity settled share based payments recharged from ultimate parent		
- Long Term Incentive Plan	543	205
- Save As You Earn Schemes	56	29
	12,275	9,897
Average monthly number of people (including executive Directors) employed		
	number	number
United Kingdom	195	182
	2005 £'000	2004 £'000
Key management compensation		
Salaries and short term employee benefits	1,121	629
Post employment benefits	76	55
	1,197	684
	2005 £'000	2004 £'000
Directors' remuneration		
Salaries and short term employee benefits	740	869
Contributions to money purchase pension schemes	56	65
Other post employment benefits	8	-
Ex-gratia payment to former director	-	95
	804	1,029
	2005 Number	2004 Number
Directors' pensions		
Members of defined contribution schemes	2	2
Members of defined benefit schemes	1	1
	2005 £'000	2004 £'000
The amounts in respect of the highest paid Director are:		
Emoluments	358	337
Company contributions to defined contribution pension schemes	31	25

NOTES TO THE ACCOUNTS - 31 DECEMBER 2005 (CONTINUED)

23. Pension commitments

The Company operates defined benefit and defined contribution schemes and also contributes to Directors' personal pension plans. The defined benefit scheme ('the Plan') provides benefits based on final pensionable pay. The assets of the Plan are held in a separate trustee administered fund. The Plan has been closed to new entrants with effect from 6 April, 2001. Under the projected unit method, the current service cost of this scheme will increase as the members approach retirement.

Contributions to the Plan are charged to the profit and loss account so as to spread the cost of pensions over active employees' working lives with the Company. The rates of contribution are determined by a qualified actuary on the basis of triennial valuations.

The principal funds are those in the UK. Outside the UK there is one defined contribution scheme.

The most recent actuarial valuation of the Plan was carried out as at 6 April 2005 on the statutory Minimum Funding Requirement ('MFR') basis. The valuation has been updated to 31 December 2005 on an approximate basis. This was carried out by JLT, independent professionally qualified actuaries.

The contributions made by the employer over the financial year have been £329,000 (2004: £333,000), equivalent to 13.5% of pensionable pay. Following the results of the triennial actuarial valuation of the Plan it has been agreed that the employer will make contributions at the rate of 8.5% of pensionable pay plus £500,000 p.a.. The employer contribution rate includes insurance premiums for death in service benefits, the expenses of running the Plan, and estimated levies payable to the Pensions Protection Fund.

It is the policy of the Company to recognise all actuarial gains and losses in the year in which they occur outside the profit and loss account in the statement of recognised income and expense.

The market value of the assets held in respect of all scheme members at the valuation date of 6 April 2005 was £10.4 million and the market value of the assets was sufficient to cover 101% of the liabilities on the statutory MFR basis.

The pension charge for the period for all defined contribution schemes was £211,000 (2004: £180,000). The creditor at the end of the year was £nil (2004: £10,000).

Reconciliation of opening and closing balances of the present value of the defined benefit obligation

	2005 £'000	2004 £'000
Defined benefit obligation at start of year	15,450	15,138
Current service cost	380	395
Interest cost	856	824
Contributions by Plan participants	124	122
Actuarial loss / (gain)	3,472	(825)
Benefits paid, death in service premiums and expenses	(287)	(204)
Defined benefit obligation at end of year	19,995	15,450

Reconciliation of opening and closing balances of the fair value of the Plan assets

	2005 £'000	2004 £'000
Fair value of assets at start of year	10,086	8,898
Expected return on assets	705	644
Actuarial gains	1,030	293
Contributions by employer	329	333
Contributions by Plan participants	124	122
Benefits paid, death in service premiums and expenses	(287)	(204)
Fair value of assets at end of year	11,987	10,086

NOTES TO THE ACCOUNTS - 31 DECEMBER 2005 (CONTINUED)

Total expense recognised in income statement

	2005 £'000	2004 £'000
Current service cost	380	395
Interest on pension plan liabilities	856	824
Expected return on plan assets	(705)	(644)
Total included in employee benefit expense	531	575

Gains / (losses) recognised in the statement of recognised income and expense

	2005 £'000	2004 £'000
Difference between expected and actual return on plan assets:		
Amount	1,030	293
Percentage of scheme assets	8.6	2.9
Experience gains and losses arising on the plan liabilities:		
Amount	(116)	825
Percentage of present value of plan liabilities	(0.6)	5.3
Effect of changes in the demographic and financial assumptions underlying the present value of the plan liabilities:		
Amount	(3,356)	-
Percentage of present value of plan liabilities	(16.8)	-
Total amount recognised in the statement of recognised income and expense:		
Amount	(2,442)	1,118
Percentage of present value of plan liabilities	(12.2)	7.2

The cumulative amount of actuarial losses recognised in the statement of recognised income and expense since adoption of IAS 19 is £1,324,000.

Allocation of plan assets

	2005 £'000	2004 £'000	2003 £'000
Equities	74%	70%	70%
Bonds	-	29%	29%
Property	24%	-	-
Cash	2%	1%	1%

None of the fair value of the assets shown above include any of the Company's own financial instruments or any property occupied by, or other assets used by, the Company.

NOTES TO THE ACCOUNTS - 31 DECEMBER 2005 (CONTINUED)

Expected long term rate of return

The expected long term return on cash is equal to base rates at the balance sheet date. The expected return on bonds is determined by reference to UK long dated gilt and bond yields at the balance sheet date. The expected rate of return on equities and property have been determined by setting an appropriate risk premium above gilt/bond yields having regard to market conditions at the balance sheet date.

	2005 £'000	2004 £'000	2003 £'000
Equities	7.8%	7.8%	8.0%
Bonds	-	4.8%	5.5%
Property	7.8%	-	-
Cash	4.5%	4.5%	3.75%
Overall for plan	7.73%	6.90%	7.23%

Actual return on plan assets

The actual return on the plan assets over the year ending 31 December 2005 was 17%, and amounted to £1,735,000.

Assumptions

The assets of the scheme have been taken at market value and the liabilities have been calculated using the following principal actuarial assumptions:

	2005	2004	2003
Inflation	2.7% pa	2.9% pa	2.9% pa
Salary increases	3.2% pa	3.4% pa	3.4% pa
Rate of discount	4.9% pa	5.4% pa	5.4% pa
Pension in payment increases	2.7% pa	2.9% pa	2.9% pa
Revaluation rate for deferred pensioners	2.7% pa	2.9% pa	2.9% pa

Present value of defined benefit obligations, fair value of assets and liabilities

	2005 £'000	2004 £'000	2003 £'000
Present value of funded obligations	(19,995)	(15,450)	(15,138)
Fair value of plan assets	11,987	10,086	8,898
Deficit in the scheme	(8,008)	(5,364)	(6,240)

As all actuarial gains and losses are recognised, the deficits shown above are those recognised in the balance sheet.

Summary movement in balance sheet deficit during the year

	2005 £'000	2004 £'000
Deficit in scheme at beginning of year	(5,364)	(6,240)
Total employee benefit expense	(531)	(575)
Actuarial (losses) / gains taken to reserves	(2,442)	1,118
Contributions	329	333
Deficit in scheme at end of year	(8,008)	(5,364)

NOTES TO THE ACCOUNTS - 31 DECEMBER 2005 (CONTINUED)

Estimate of contributions to be paid to plan for the year ending 31 December 2006

The estimated total contributions to be paid to the plan for the year ending 31 December 2006 are £700,000.

Summary of key statistics for the current and previous four years

	2005 £'000	2004 £'000	2003 £'000	2002 £'000	2001 £'000
Fair value of assets	11,987	10,086	8,898	7,505	8,918
Defined benefit obligation	(19,995)	(15,450)	(15,138)	(11,946)	(10,551)
Deficit in plan	(8,008)	(5,364)	(6,240)	(4,441)	(1,633)
Experience adjustments on plan liabilities	(116)	825	(71)	545	-
Experience adjustments on plan assets	1,030	293	549	(2,018)	-
Effect of changes in the demographic and financial assumptions underlying the present value of the plan liabilities	(3,356)	-	(2,166)	(1,440)	-

24. Operating leases

The Company has lease agreements in respect of properties, vehicles, and plant and equipment, for which the payments extend over a number of years as detailed below:

The minimum annual commitments under non-cancellable operating leases are as follows expiring:

	Land and buildings £'000	2005 Vehicles, plant and equipment £'000	Land and buildings £'000	2004 Vehicles, plant and equipment £'000
Within one year	111	-	-	5
Within two to five years	70	7	7	100
After five years	549	-	1,883	-
	730	7	1,890	105

25. Related party transactions

Umbro International Limited made payments to Nottingham Forest and Morecambe football clubs of £268,000 during the year (2004: £248,000) under sponsorship agreements. The amounts owing to the clubs at 31 December 2005 were £nil (2004: £44,000). N Doughty and P McGuigan are Directors of Nottingham Forest and Morecambe football clubs respectively.

Umbro International Limited received payments of £1,632,000 from its associated undertaking Team and Sport Limited and the balance outstanding on trade receivables at 31 December 2005 was £457,000.

Umbro International Limited incurred operational expenses of £1,149,000 (2004: £1,406,000) on behalf of its subsidiary company Umbro Corp during the year. Umbro International Limited received payments in respect of these expenses totalling £268,000 (2004: £1,257,000). The amount owed to Umbro International Limited at 31 December 2005 was £1,776,000 (2004: £895,000).

Umbro International Limited incurred operational expenses of £885,000 (2004: £540,000) on behalf of its subsidiary company Umbro Hong Kong Ltd during the year. Umbro International Ltd received payments in respect of these expenses totalling £899,000 (2004: £720,000). The amount owed to Umbro Hong Kong Ltd at 31 December 2005 was £61,000 (2004: £47,000).

Umbro International Limited made settlement of £3,165,000 on an inter-company loan due to its immediate parent company Umbro International Holdings Limited during the year. The amount owed to Umbro International Holdings Limited at 31 December 2005 is £2,933,000 (2004: £6,098,000). In addition, Umbro International Limited paid a £9,000,000 dividend (2004: £nil) to Umbro International Holdings Limited during the year.

NOTES TO THE ACCOUNTS - 31 DECEMBER 2005 (CONTINUED)

Umbro International Limited made payments on behalf of Umbro Finance Limited relating to loan interest and loan repayments of £9,798,000 (2004: £41,433,000) during the year. The balance owed to Umbro International Limited at 31 December 2005 was £51,232,000 (2004: £41,433,000).

Umbro International Limited received payment of £8,877,000 (2004: £4,486,000) from its ultimate parent company Umbro Plc during the year in relation to inter-company loans. Umbro International Ltd incurred expenses of £2,547,000 (2004: £nil) on behalf of Umbro Plc in relation to staff and other costs. The balance owed to Umbro Plc at 31 December 2005 was £6,345,000 (2004: £16,000).

Umbro International Limited made payments of £30,000 (2004: £30,000) to its subsidiary company USISL Inc during the year in respect of sponsorship.

At 31 December 2005 Umbro International Limited owed £65,000,000 to its subsidiary company Umbro Licensing Limited (2004: £65,000,000).

26. Ultimate holding company

The immediate holding company is Umbro International Holdings Limited whose registered office is at Umbro House, Lakeside, Cheadle, Cheshire, SK8 3GQ.

The ultimate holding company is Umbro plc whose registered office is at Umbro House, Lakeside, Cheadle, Cheshire, SK8 3GQ. This is the smallest and largest group to consolidate these accounts.

The consolidated financial statements of Umbro plc are available from Companies House, and on the Company's website www.umbro.com.

NOTES TO THE ACCOUNTS - 31 DECEMBER 2005 (CONTINUED)

27. Cash generated from operations

Reconciliation of net profit to net cash flow from operations

	2005	2004
	£'000	£'000
Net profit	24,435	18,541
Adjustments for:		
Tax	10,542	5,499
Depreciation	723	710
Amortisation of intangible assets	544	302
Interest income	(3,358)	(243)
Interest expense	1,531	785
Transfer from hedge reserve	(12)	-
Profit on disposal of fixed assets	(11)	(8)
Changes in working capital		
(Increase) / decrease in stock	(458)	1,761
Increase in debtors	(41,690)	(36,622)
Increase / (decrease) in creditors	9,986	(11,253)
Net cash inflow / (outflow) from operations	2,232	(20,528)

NOTES TO THE ACCOUNTS - 31 DECEMBER 2005 (CONTINUED)

28. Reconciliations of UK GAAP to IFRS

The table below summarises the changes between profit for the period under UK GAAP and IFRS:

	2004 £'000
Profit for the period reported under UK GAAP	18,763
Pensions	(317)
Deferred tax	95
Profit for the period under IFRS attributable to equity holders	18,541

Income Statement for the year to 31 December 2004

Reconciliation from UK GAAP to IFRS

	Note	As previously reported under UK GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Total wholesale equivalent		356,258	-	356,258
Turnover		138,563	-	138,563
Cost of sales		(94,671)	-	(94,671)
Gross profit		43,892	-	43,892
Selling and distribution costs	i	(14,499)	(158)	(14,657)
Total administration costs		(7,929)	(159)	(8,088)
Other operating income		3,435	-	3,435
Operating profit		24,899	(317)	24,582
Finance costs		(785)	-	(785)
Finance Income		243	-	243
Profit before tax		24,357	(317)	24,040
Taxation		(5,594)	95	(5,499)
Profit after tax transferred to reserves		18,763	(222)	18,541

NOTES TO THE ACCOUNTS - 31 DECEMBER 2005 (CONTINUED)

Balance sheet as at 1 January 2004
Reconciliation from UK GAAP to IFRS

	Note	As previously reported under UK GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Non-current assets				
Property, plant, and equipment		2,360	-	2,360
Investments		65,498	-	65,498
Intangible assets		997	-	997
Deferred tax asset	i.	3,120	1,897	5,017
		71,975	1,897	73,872
Current assets				
Inventories		8,294	-	8,294
Trade and other receivables		30,273	-	30,273
Cash and cash equivalents		1,280	-	1,280
		39,847	-	39,847
Current liabilities				
Trade and other payables		104,230	84	104,314
Financial liabilities		347	-	347
Current tax liabilities		651	-	651
		105,228	84	105,312
Net current liabilities		(65,381)	(84)	(65,465)
Non-current liabilities				
Financial liabilities		282	-	282
Other non-current liabilities		18,353	-	18,353
Retirement benefit liability	i.	-	6,240	6,240
		18,635	6,240	24,875
Net liabilities		(12,041)	(4,427)	(16,468)
Shareholders' equity				
Equity share capital		160	-	160
Other reserves		(12,201)	(4,427)	(16,628)
Total equity		(12,041)	(4,427)	(16,468)

NOTES TO THE ACCOUNTS - 31 DECEMBER 2005 (CONTINUED)

Balance sheet as at 31 December 2004

Reconciliation from UK GAAP to IFRS

	Note	As previously reported under UK GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Non-current assets				
Property, plant, and equipment		2,217	-	2,217
Investments		65,528	-	65,528
Intangible assets		1,447	-	1,447
Deferred tax asset	i.	456	1,658	2,114
		69,648	1,658	71,306
Current assets				
Inventories		6,533	-	6,533
Trade and other receivables		67,054	(159)	66,895
Cash and cash equivalents		8,588	-	8,588
		82,175	(159)	82,016
Current liabilities				
Trade and other payables		98,252	-	98,252
Financial liabilities		339	-	339
Current tax liabilities		1,052	-	1,052
		99,643	-	99,643
Net current liabilities		(17,468)	(159)	(17,627)
Non-current liabilities				
Financial liabilities		106	-	106
Other non-current liabilities		10,353	-	10,353
Retirement benefit liability	i.	-	5,364	5,364
		10,459	5,364	15,823
Net assets		41,721	(3,865)	37,856
Shareholders' equity				
Equity share capital		160	-	160
Other reserves		41,561	(3,865)	37,696
Total equity		41,721	(3,865)	37,856

NOTES TO THE ACCOUNTS - 31 DECEMBER 2005 (CONTINUED)

The effect of the transitional adjustment to IAS 39 on the balance sheet as at 1 January 2005 is as follows:

	As at 31 December 2004 £'000	Effect of transition to IFRS £'000	As at 1 January 2005 £'000
Current liabilities			
Derivative financial instruments	-	(2,597)	(2,597)
Shareholders' equity			
Other reserves	(37,696)	2,597	(35,099)

Notes to the reconciliations between UK GAAP and IFRS

i. Pension costs have been restated in accordance with IAS19, resulting in an increase in the charge to profit and loss of £0.3m for the year ended 31 December 2004. Tax relief at 30% on this charge has been adjusted in the accounts.

The pension deficit of £6.2m at 1 January 2004 has been recognised in the balance sheet as a non-current liability, and charged to reserves. An associated deferred tax asset has been recognised and credited to reserves.

Actuarial gains of £1.1m and an associated deferred tax creditor of £0.3m have been recognised as movements in the reserves during 2004. As a consequence of this movement, the pension deficit in the balance sheet is reduced to 35.3m at 31 December 2004. The treatment of the actuarial gain arising during 2004 is different in these accounts compared to the Interim Statement 2005, in which the actuarial gain had been deferred under the "corridor" method of accounting in IAS 19. The Company has discontinued the "corridor" approach and actuarial gains and losses are taken direct to reserves as permitted under the standard.

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