

# **UMBRO INTERNATIONAL LIMITED**

**(FORMERLY UMBRO EUROPE LIMITED)**

**Report and Accounts  
31 December 2000**



## **UMBRO INTERNATIONAL LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2000**

The directors present their report and the audited accounts of the company for the year ended 31 December 2000.

#### **PRINCIPAL ACTIVITIES**

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

#### **REVIEW OF THE BUSINESS**

The company continued the rationalisation of its operations, begun in 1999, and disposed of its French and German subsidiaries. Staff costs have been reduced and the company relocated to new premises, selling its property in Wythenshawe. These efficiency improvements will enable the company to maximise its future opportunities.

#### **TRADING RESULTS AND DIVIDEND**

The loss for the year after tax was £25,086,000 (1999 profit : £62,491,000).

There was no dividend paid or proposed during the year (1999 : £3,216,000).

#### **CHANGE OF NAME**

On 2 June 2000 the company changed its name from Umbro Europe Limited to Umbro International Limited. On the same date the immediate parent company also changed its name from Umbro Europe (Holdings) Limited to Umbro International Holdings Limited.

#### **DIRECTORS**

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

P McGuigan  
M A Corbidge  
M Monaghan

None of the directors had any interest in the shares of the company at 31 December 2000 or 31 December 1999.

## **UMBRO INTERNATIONAL LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2000 (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 whether applicable accounting standards have been followed, subject to any material departure disclosed and explained in the accounts; and
- prepare the accounts 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 accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of 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 £2,787 (1999 : £1,954).


**UMBRO INTERNATIONAL LIMITED**

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2000 (Continued)**

**AUDITORS**

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

BY ORDER OF THE BOARD

  
D A HARE  
SECRETARY

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 which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

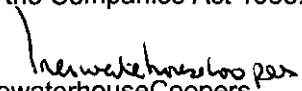
### **Basis of audit opinion**

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
Manchester

13 December 2001

**UMBRO INTERNATIONAL LIMITED**

**PROFIT AND LOSS ACCOUNT FOR  
THE YEAR ENDED 31 DECEMBER 2000**

	Notes	2000		1999	
		Continuing £000	Discontinued £000	Total £000	Total £000
TURNOVER	2	79,050	13,958	93,008	122,990
Cost of sales		(87,491)	(10,744)	(98,235)	(104,197)
GROSS (LOSS)/PROFIT		(8,441)	3,214	(5,227)	18,793
Selling and distribution costs		(12,187)	(2,912)	(15,099)	(15,048)
Administration expenses	7	(11,477)	-	(11,477)	(10,989)
		(32,105)	302	(31,803)	(7,244)
Other operating income	14	14,234	310	14,544	3,536
OPERATING LOSS		(17,871)	612	(17,259)	(3,708)
(Loss)/Profit on disposal of fixed assets				(16)	88
Profit on disposal of intangible assets	11			-	65,000
Provision against sale of subsidiaries	12			(3,158)	-
(LOSS)/PROFIT BEFORE INTEREST				(20,433)	61,380
Income from investments	4			291	3,216
Interest receivable	5			294	136
Interest payable	6			(3,888)	(3,102)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION				(23,736)	61,630
Taxation	13			(1,350)	861
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION				(25,086)	62,491
Dividends	8			-	(3,216)
(LOSS)/PROFIT SET ASIDE TO RESERVES	25			(25,086)	59,275

The annexed notes form part of these accounts.

There are no other recognised gains or losses other than those shown in the profit and loss account.

## UMBRO INTERNATIONAL LIMITED

### NOTE OF HISTORICAL COST PROFITS AND LOSSES

	<u>2000</u> £000	<u>1999</u> £000
Reported (loss)/profit on ordinary activities before tax	(23,736)	61,130
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	-	34
Unrealised deficit on revaluation of land and buildings, previously revalued	-	727
Historical cost (loss)/profit on ordinary activities before tax	<u>(23,736)</u>	<u>61,891</u>
Historical cost (loss)/profit after taxation and dividends	<u>(25,086)</u>	<u>59,536</u>

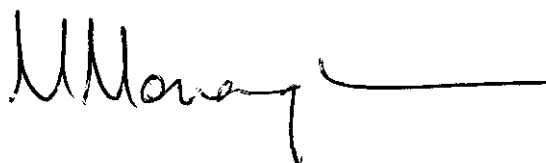
**UMBRO INTERNATIONAL LIMITED**

**BALANCE SHEET - 31 DECEMBER 2000**

	<u>Notes</u>	<u>2000</u>	<u>1999</u>
		£000	£000
<b>FIXED ASSETS</b>			
Tangible fixed assets	16	3,288	4,643
Investments	15	65,027	65,027
		<u>68,315</u>	<u>69,670</u>
<b>CURRENT ASSETS</b>			
Stocks	17	9,706	9,755
Debtors	18	38,778	42,975
Cash at bank and in hand		125	261
		<u>48,609</u>	<u>52,991</u>
CREDITORS: Amounts falling due within one year	19	(47,019)	(27,788)
<b>NET CURRENT ASSETS</b>		<u>1,590</u>	<u>25,203</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>69,905</u>	<u>94,873</u>
CREDITORS: Amounts falling due after more than one year	20	(29,804)	(29,686)
<b>Net assets</b>		<u><u>40,101</u></u>	<u><u>65,187</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	24	160	160
Profit and loss account	25	39,941	65,027
<b>Equity shareholders funds</b>	26	<u><u>40,101</u></u>	<u><u>65,187</u></u>

Approved by the Board on 13 December 2001

DIRECTOR:



The annexed notes form part of these accounts.



## UMBRO INTERNATIONAL LIMITED

### NOTES TO THE ACCOUNTS - 31 DECEMBER 2000

#### 1 STATEMENT OF ACCOUNTING POLICIES

(a) Accounting convention

The accounts have been prepared on the basis of historical cost and are in accordance with applicable accounting standards.

(b) Consolidation

The results of the subsidiaries, Umbro Hong Kong Limited, Umbro Deutschland Sportswear Vertriebs GmbH, Umbro Licensing Limited, Umbro Americas Employment Inc. and Umbro France SARL, 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) Tangible fixed assets and depreciation

Tangible fixed assets are stated at valuation or at cost and are depreciated at rates which will write off the book amount of these assets over their estimated useful lives. In general, annual depreciation rates are as follows:

Freehold and long leasehold property	4%	on straight line basis
Plant and machinery	20%	on straight line basis
Fixtures	10%	on straight line basis
Motor vehicles and computer equipment	25%	on straight line basis

In addition, short leasehold property is depreciated at rates which will write off the cost, including certain original fixtures, over the periods of the relevant leases.

(d) Investments

Investments are recorded at cost, and the carrying value reviewed annually.

(e) 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.

(f) Deferred taxation

Deferred taxation is provided using the liability method on all timing differences to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

(g) Overseas currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or with forward contracts if applicable. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All exchange differences are taken to the Profit and Loss Account.

# UMBRO INTERNATIONAL LIMITED

## NOTES TO THE ACCOUNTS - 31 DECEMBER 2000

### 1 STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

#### (h) Turnover

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

#### (i) Leased assets

Assets obtained under finance leases are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to 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.

#### (j) Pension costs

The company operates both a defined benefit pension scheme and defined contribution schemes. The costs of providing defined benefit 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. The costs of providing defined contribution schemes are charged to the profit and loss account on an accruals basis.

#### (k) Cash flow statement

The company has not prepared a cash flow statement, as permitted for wholly owned subsidiaries by the reporting standard. A cash flow statement is included in the group accounts.

### 2 TURNOVER AND DISCONTINUED ACTIVITIES

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:

	2000			1999		
	Continuing £000	Discontinued £000	Total £000	Continuing £000	Discontinued £000	Total £000
<b>TURNOVER</b>						
<u>Geographical market</u>						
United Kingdom	77,893	-	77,893	107,458	-	107,458
Rest of Europe	1,129	13,958	15,087	1,400	13,905	15,305
Rest of World	28	-	28	227	-	227
	<u>79,050</u>	<u>13,958</u>	<u>93,008</u>	<u>109,085</u>	<u>13,905</u>	<u>122,990</u>

#### DISCONTINUED ACTIVITIES

The discontinued activities refer to Umbro Deutschland Sportswear Vertriebs GmbH and Umbro France SARL.

**UMBRO INTERNATIONAL LIMITED****NOTES TO THE ACCOUNTS - 31 DECEMBER 2000 (CONTINUED)****3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	<u>2000</u> £000	<u>1999</u> £000
<b>OPERATING LOSS</b>		
Operating profit is stated after charging:		
Staff costs:		
Wages and salaries	5,934	8,226
Social security costs	562	768
Other pension costs	467	419
	<u>6,963</u>	<u>9,413</u>
Depreciation of tangible fixed assets (note 16)	843	1,008
Auditors' remuneration for audit services	56	53
Auditors' remuneration for non-audit services	84	123
Operating lease rentals:		
Land and buildings	1,864	1,165
Plant and machinery	53	95

**4 INCOME FROM INVESTMENTS**

Dividend from subsidiary undertakings	<u>291</u>	<u>3,216</u>
---------------------------------------	------------	--------------

**5 INTEREST RECEIVABLE**

Interest from group undertakings	261	135
Other interest receivable	33	1
	<u>294</u>	<u>136</u>

**6 INTEREST PAYABLE AND SIMILAR CHARGES**

Interest payable to ultimate parent company	(3,529)	(2,142)
Interest and other charges	(185)	(807)
Interest on finance leases and hire purchase contracts	(116)	(108)
Other interest payable	(58)	(45)
	<u>(3,888)</u>	<u>(3,102)</u>

**UMBRO INTERNATIONAL LIMITED**

**NOTES TO THE ACCOUNTS - 31 DECEMBER 2000 (CONTINUED)**

**7 EXCEPTIONAL ITEMS**

	<u>2000</u> £000	<u>1999</u> £000
Exceptional items included in Cost of Sales are:		
Sponsorship costs relating to onerous contracts	10,233	-
Exceptional items included in Administration expenses are:		
Provision against receivable from associated undertaking	3,884	-
Redundancy costs	-	1,667
Additional depreciation on land and buildings	-	1,718
Restructuring costs	-	1,168
	<u>3,884</u>	<u>4,553</u>

Sponsorship costs relating to onerous contracts have been written off where little or no revenue is anticipated.

**8 DIVIDENDS**

	<u>2000</u> £000	<u>1999</u> £000
Equity dividend on Ordinary shares:		
Final proposed dividend	-	3,216

**UMBRO INTERNATIONAL LIMITED**

**NOTES TO THE ACCOUNTS - 31 DECEMBER 2000 (CONTINUED)**

**9 DIRECTORS' EMOLUMENTS**

	<u>2000</u> £000	<u>1999</u> £000
Emoluments	543	396
Compensation for loss of office	-	140
	<u>543</u>	<u>536</u>

Company contributions to pension schemes	<u>71</u>	<u>49</u>
--	-----------	-----------

	<u>2000</u> Number	<u>1999</u> Number
Members of defined contribution schemes	<u>3</u>	<u>3</u>

The amounts in respect of the highest paid director are:

	<u>2000</u> £000	<u>1999</u> £000
Emoluments	<u>211</u>	<u>159</u>
Company contributions to defined contribution/benefit pension schemes	<u>30</u>	<u>1</u>

**10 EMPLOYEES**

	<u>2000</u>	<u>1999</u>
Administration	195	379
Manufacturing	-	20
	<u>195</u>	<u>399</u>

**UMBRO INTERNATIONAL LIMITED**

**NOTES TO THE ACCOUNTS - 31 DECEMBER 2000 (CONTINUED)**

**11 PROFIT ON DISPOSAL OF INTANGIBLE ASSET**

	<u>2000</u> £000	<u>1999</u> £000
Profit on disposal of business	-	65,000

On 23 April 1999 the company sold its Umbro trademarks and licence agreements, together with the business activities of design, development and product sourcing to a newly created subsidiary, Umbro Licensing Limited. The consideration was £65 million in preference shares in Umbro Licensing Limited.

**12 SALE OF FRENCH AND GERMAN SUBSIDIARIES**

	<u>2000</u> £000
Provision against debt	2,226
Provision against stock	490
Redundancy costs	110
Marketing costs, legal fees and other	332
	<u>3,158</u>

**13 TAXATION**

	<u>2000</u> £000	<u>1999</u> £000
The taxation credit/(charge) comprises:		
UK corporation tax on loss for the period	103	978
Overseas tax paid	-	(117)
Double tax relief	146	-
	<u>249</u>	<u>861</u>
Tax underprovided in previous years:		
Corporation tax	(1,599)	-
	<u>(1,350)</u>	<u>861</u>

The effective tax rate is greater than the statutory rate due to losses for which no tax credit has been recognised.

**14 OTHER OPERATING INCOME**

	<u>2000</u> £000	<u>1999</u> £000
Included in other operating income are the following:		
Share of profits from affiliated undertaking	517	585
Royalties and commission income	14,027	2,951
	<u>14,544</u>	<u>3,536</u>

**UMBRO INTERNATIONAL LIMITED****NOTES TO THE ACCOUNTS - 31 DECEMBER 2000 (CONTINUED)****15 INVESTMENTS**

	£000
<u>Cost</u>	
At 1 January and 31 December 2000	<u>65,027</u>

**INVESTMENT IN SUBSIDIARIES**

	<u>Proportion of ordinary share capital held</u>	<u>Country of incorporation and operation</u>	<u>Nature of business</u>
Umbro Hong Kong Limited	100%	Hong Kong	Sportswear procurement services
Umbro Deutschland Sportswear Vertriebs GmbH	100%	Germany	Sportswear trading
Umbro France SARL	100%	France	Sportswear trading
Umbro Licensing Limited	100%	UK	Licensor and procurement services
Umbro Corp.	100%	USA	Management 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.

The company holds a 25% investment in Umbro International JV, whose principal place of business is in the USA. The company's share of profits and losses of the affiliated undertaking is reflected in the profit and loss account.

Umbro Corp. was created on 29 March 2000 to administer the group's American licensees.

The 10% holding in Umbro Italia Srl, which had no attributable value in the accounts, was disposed of in November 2000 for £nil proceeds.

**UMBRO INTERNATIONAL LIMITED**

**NOTES TO THE ACCOUNTS - 31 DECEMBER 2000 (CONTINUED)**

**16 TANGIBLE FIXED ASSETS**

	Long leasehold land and buildings £000	Short leasehold land and buildings £000	<u>Plant and equipment</u>		<u>Total</u> £000
			<u>Purchased</u> £000	<u>Finance leased</u> £000	
<u>Cost or valuation</u>					
At 1 January 2000	3,722	36	2,917	4,012	10,687
Additions	-	-	459	1,234	1,693
Disposals	(3,722)	-	(1,422)	(797)	(5,941)
At 31 December 2000	-	36	1,954	4,449	6,439
<u>Depreciation</u>					
At 1 January 2000	2,124	36	2,057	1,827	6,044
Charge for the year	-	-	343	500	843
Disposals	(885)	-	(685)	(448)	(2,018)
Release of provision for diminution in value	(1,239)	-	(479)	-	(1,718)
At 31 December 2000	-	36	1,236	1,879	3,151
<u>Net Book Value</u>					
At 31 December 2000	-	-	718	2,570	3,288
At 1 January 2000	1,598	-	860	2,185	4,643

**17 STOCKS**

	<u>2000</u> £000	<u>1999</u> £000
Finished goods and goods for resale	9,706	9,755

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



**UMBRO INTERNATIONAL LIMITED**

**NOTES TO THE ACCOUNTS - 31 DECEMBER 2000 (CONTINUED)**

**18 DEBTORS**

	<u>2000</u> £000	<u>1999</u> £000
Trade debtors	31,869	26,883
Amount due from subsidiary undertakings	1,164	2,806
Amount due from fellow subsidiary undertakings	1,571	2,467
Corporation tax	-	1,110
Other debtors	10	5
Prepayments and accrued income	4,164	9,704
	<u>38,778</u>	<u>42,975</u>

**19 CREDITORS: Amounts falling due within one year**

	<u>2000</u> £000	<u>1999</u> £000
Trade creditors	9,347	4,668
Amounts owed to ultimate parent undertaking	12,833	11,345
Amounts owed to subsidiary undertakings	3,939	41
Amounts owed to fellow subsidiary undertakings	3,811	1,184
Obligations under finance leases (note 21)	643	464
Corporation tax	192	-
Other tax and social security	171	202
Other creditors	1,978	1,339
Accruals and deferred income	14,105	8,545
	<u>47,019</u>	<u>27,788</u>

**20 CREDITORS: Amounts falling due after more than one year**

	<u>2000</u> £000	<u>1999</u> £000
Obligations under finance leases (note 21)	925	944
Loan from ultimate parent undertaking	22,645	22,645
Loan from immediate parent undertaking	6,097	6,097
Other creditors	137	-
	<u>29,804</u>	<u>29,686</u>

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

**UMBRO INTERNATIONAL LIMITED**

**NOTES TO THE ACCOUNTS - 31 DECEMBER 2000 (CONTINUED)**

**21 FINANCE LEASES AND HIRE PURCHASE CREDITORS**

	<u>2000</u> £000	<u>1999</u> £000
Amounts payable within one year	734	551
Amounts payable between two and five years	1,014	1,067
Amounts payable after five years	-	14
Less: Finance charges allocated to future periods	(180)	(224)
	<u>1,568</u>	<u>1,408</u>
Analysed as:		
Current obligations	643	464
Non-current obligations	925	944
	<u>1,568</u>	<u>1,408</u>

**22 OPERATING LEASES**

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

	<u>Land and buildings</u>		<u>Plant and machinery</u>	
	<u>2000</u> £000	<u>1999</u> £000	<u>2000</u> £000	<u>1999</u> £000
Expiring:				
Within one year	30	-	-	5
Two to five years	-	-	20	24
In more than five years	1,883	2,002	-	-
	<u>1,913</u>	<u>2,002</u>	<u>20</u>	<u>29</u>

**23 PROVISION FOR LIABILITIES AND CHARGES - DEFERRED TAX**

Deferred taxation provided in the accounts and the amounts not provided are as follows:

	<u>Provided</u>		<u>Not provided</u>	
	<u>2000</u> £000	<u>1999</u> £000	<u>2000</u> £000	<u>1999</u> £000
Capital allowances in advance of depreciation	-	-	(242)	(176)
Other timing differences	-	-	(18)	(54)
Losses	-	-	(5,179)	(426)
Deferred tax asset	<u>-</u>	<u>-</u>	<u>(5,439)</u>	<u>(656)</u>

**UMBRO INTERNATIONAL LIMITED**

**NOTES TO THE ACCOUNTS - 31 DECEMBER 2000 (CONTINUED)**

**24 SHARE CAPITAL**

	<u>2000</u> £000	<u>1999</u> £000
Authorised:		
199,750 Ordinary shares of £1 each	<u>200</u>	<u>200</u>
	<u>2000</u> £000	<u>1999</u> £000
Allotted, called up and fully paid:		
160,000 Ordinary shares of £1 each	<u>160</u>	<u>160</u>

**25 RESERVES**

	<u>Profit and loss account</u> £000
At 1 January 2000	65,027
Amount set aside to reserves	(25,086)
At 31 December 2000	<u>39,941</u>

**26 MOVEMENT IN SHAREHOLDERS' FUNDS**

	<u>2000</u> £000	<u>1999</u> £000
Opening shareholders' funds	65,187	5,912
(Loss)/profit for the financial year	<u>(25,086)</u>	<u>59,275</u>
Closing shareholders' funds	<u>40,101</u>	<u>65,187</u>

**27 CONTINGENT LIABILITIES AND FINANCIAL GUARANTEES**

The company has issued a letter of credit to a supplier for £2,000,000. The letter of credit expires in August 2004. It serves as a financial guarantee to the supplier.

The company is a party to the bank facility agreement with Umbro Holdings Limited and its assets are secured by debenture at the bank.

## **UMBRO INTERNATIONAL LIMITED**

### **NOTES TO THE ACCOUNTS - 31 DECEMBER 2000 (CONTINUED)**

#### **28 POST BALANCE SHEET EVENTS**

On 1 January 2001 Umbro France SARL was sold to Noel France SNC for £38,000, being the value of the net assets of the company.

On 14 February 2001 Umbro Deutschland Sportswear Vertriebs GmbH was sold to Teamsport BV for 1 DM, being the value of the net assets of the company, excluding the intercompany balance.

#### **29 PENSION COMMITMENTS**

The company operates both a defined benefit scheme and defined contribution schemes. The defined benefit scheme provides benefits based on final pensionable pay. The assets of the Plan, which are held separately from those of the company, are invested in exempt managed funds.

Contributions to the Plan 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 contribution are determined by independent qualified actuaries on the basis of triennial valuations using the projected unit method.

The Plan is the result of the merger of the former pension schemes at 1 November 1993 and 6 April 1994. Benefits for members of the previous schemes were improved to allow for post retirement increases and normal retirement age was equalised for men and women.

The most recent actuarial valuation of the Plan was undertaken at 6 April 1999. The main assumptions used were that future investment returns would average 7.5% per annum, general salary increases would average 5.5% per annum, and pensions in payment (in excess of Guaranteed Minimum Pensions) would increase at 3.5% per annum. The average growth in dividends was assumed to be 4.5% per annum.

The valuation recommended a regular cost to the company of 9.6% per annum. The market value of the Plan's assets was £9,049,000. The actuarial value of the assets was 90% of the value of benefits that had accrued to members, after allowing for expected future increases in earnings. This deficit resulted in a variation in the cost to the company of 0.9% per annum over the average working lifetime of the Plan members of 14 years.

The pension charge for the year was £467,000, which includes contributions to personal pension schemes of £71,000.

Included in the accounts is a debtor of £27,000 relating to pension provisions and also accruals of £52,000 relating to defined contribution schemes and £44,000 relating to defined benefit schemes.

#### **30 RELATED PARTIES**

The company has taken advantage of its exemption under Financial Reporting Standard Number 8 for reporting related parties within the Umbro Holdings Limited Group.

31 **ULTIMATE HOLDING COMPANY AND CONTROLLING PARTY**

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 Holdings Limited whose registered office is at Umbro House, Lakeside, Cheadle, Cheshire, SK8 3GQ.

The ultimate controlling party is Doughty Hanson & Co, which is the majority shareholder of Umbro Holdings Limited.

The consolidated financial statements of Umbro Holdings Limited are available from Companies House.