

UMBRO INTERNATIONAL LIMITED
DIRECTORS' REPORT AND ACCOUNTS
31 JANUARY 1989

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UMBRO INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS - YEAR ENDED 31 JANUARY 1989

The directors present their report and the audited accounts of the company for the year ended 31 January 1989.

PRINCIPAL ACTIVITY

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

REVIEW OF THE BUSINESS

Turnover of Umbro merchandise has continued to increase beyond last year's performance in particular arising from sales of soccer footwear, a product group introduced this year.

During the year standard margins improved although stock clearances arising from range residues and range rationalisations continued to have an effect.

The management team continues their work improving the operations of the business including further investment to be made in upgrading computer systems.

TRADING RESULTS AND DIVIDENDS

The profit for the year after taxation and extraordinary items amounted to £142,000 (1988 - £717,000).

The directors do not recommend payment of a dividend (1988 - £NIL).

DIRECTORS

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

JV Bisset	
PF Kenyon	
GL Leech	
PJ Draper	(appointed 25 July 1988)
A Hadfield	(appointed 25 July 1988)
MC Prothero	(appointed 25 July 1988)
AH Brown	(resigned 30 June 1988)

EE Stone IV and CJ Humphreys were appointed directors on 27 February 1989, and JV Bisset ceased to be a director on 13 March 1989.

None of the directors had any interest in the shares of the company at 31 January 1989 or 31 January 1988. CJ Humphreys and JV Bisset were also directors of the company's holding company, Humphreys Bros., Limited and their interests in the shares of that company are shown in the report of its directors.

UMBRO INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS - YEAR ENDED 31 JANUARY 1989 (CONTINUED)

PJ Draper, A Hadfield and MC Prothero retire from the Board of Directors in accordance with the Articles of Association and offer themselves for re-election. PF Kenyon retires by rotation and also offers himself for re-election.

FIXED ASSETS

During the year the company acquired long leasehold land and buildings in Wythenshawe, Manchester, to which it transferred its head office and combined its finished goods warehouses. The manufacturing facility at Wilmslow was consolidated into the Macclesfield factory and at 31 December 1988 the Wilmslow site was closed.

At 31 January 1989, the holding company transferred certain land and buildings back to Umbro International Limited, whereupon the property was then sold, giving rise to an extraordinary profit of £292,000 against which was set relocation and redundancy costs of £280,000 which were attributable to the transfer of the head office.

These and other changes which have taken place during the year are set out in note 8 to the accounts.

EMPLOYEES

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

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

AUDITORS

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

BY ORDER OF THE BOARD

OL LEECH
SECRETARY

7 July 1989

Dallimore Road
Roundthorn Industrial Estate
Wythenshawe
Manchester
M23 9GJ

Price Waterhouse



AUDITORS' REPORT TO THE MEMBERS OF UMBRO INTERNATIONAL LIMITED

We have audited the accounts on pages 4 to 13 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31 January 1989 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Chartered Accountants

7 July 1989



UMBRO INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JANUARY 1989

	Notes	1989 £000	1988 £000
TURNOVER	2	23,207	20,405
Cost of sales		(16,503)	(15,425)
GROSS PROFIT		6,704	4,980
Selling and distribution costs	(4,550)	(3,666)	
Administration expenses	(1,495)	(1,273)	
		(6,045)	(4,939)
		659	41
Other operating income		4	6
OPERATING PROFIT		663	47
Interest payable	3	(533)	(276)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	3	130	(229)
Taxation	7	—	—
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		130	(229)
Extraordinary item	4	12	946
PROFIT FOR THE FINANCIAL YEAR SET ASIDE TO RESERVES	16	142	717

The annexed notes form part of these accounts.

UMBRO INTERNATIONAL LIMITED

BALANCE SHEET - 31 JANUARY 1989

	Notes	1989 £000	1988 £000
TANGIBLE FIXED ASSETS	8	1,561	573
CURRENT ASSETS			
Stocks	9	4,962	4,821
Debtors	10	4,938	5,166
Cash at bank and in hand		<u>61</u>	<u>71</u>
		9,961	10,058
CREDITORS: Amounts falling due within one year	11	<u>(5,693)</u>	<u>(5,621)</u>
NET CURRENT ASSETS		<u>4,268</u>	<u>4,437</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,829	5,010
CREDITORS: Amounts falling due after more than one year	12	<u>(3,432)</u>	<u>(2,755)</u>
		<u>2,397</u>	<u>2,255</u>
CAPITAL AND RESERVES			
Called up share capital	15	160	160
Profit and loss account	16	<u>2,237</u>	<u>2,095</u>
		<u>2,397</u>	<u>2,255</u>

Approved by the Board on 7 July 1989

DIRECTORS:

CJ HUMPHREYS

GL LEECH

The annexed notes form part of these accounts.

UMBRO INTERNATIONAL LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31 JANUARY 1989

	1989 £000	1988 £000
SOURCE OF FUNDS		
Profit/(loss) for the year before taxation	130	(229)
Extraordinary item	12	-
Adjustment for items not involving the movement of funds:		
Depreciation	265	268
Profit on disposal of fixed assets	(322)	-
TOTAL GENERATED FROM OPERATIONS	85	39
FUNDS FROM OTHER SOURCES		
Proceeds from disposals of fixed assets	477	1,586
Loans received	780	-
	1,342	1,625
APPLICATION OF FUNDS		
Purchase of fixed assets	(1,408)	(321)
Dividend paid	-	(37)
	(66)	1,267
INCREASE/(DECREASE) IN WORKING CAPITAL		
Stocks	141	575
Debtors	(228)	1,494
Creditors	(539)	409
	(626)	2,478
MOVEMENT IN NET LIQUID FUNDS		
Increase/(decrease) in cash at bank and in hand	(10)	8
(Increase)/decrease in bank overdraft	570	(1,219)
	(66)	1,267

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 JANUARY 1989

1 STATEMENT OF ACCOUNTING POLICIES

(a) Accounting convention

The accounts have been prepared on the basis of historical cost.

(b) Tangible fixed assets and depreciation

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

(c) Stocks

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

(d) Deferred taxation

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

(e) Overseas currencies

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

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

(f) Turnover

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

(g) Leased assets

Assets obtained under finance leases are capitalised in the balance sheet and are depreciated over the duration of the lease. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the period of the lease.

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 JANUARY 1989 (CONTINUED)

2 SEGMENT INFORMATION

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

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

	<u>1989</u> £000	<u>1988</u> £000
United Kingdom	21,483	18,629
Other	<u>1,724</u>	<u>1,776</u>
	<u>23,207</u>	<u>20,405</u>

3 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>1989</u> £000	<u>1988</u> £000
Is stated after charging:		
Staff costs:		
Wages and salaries	4,365	4,091
Social security costs	316	299
Other pension costs	<u>151</u>	<u>140</u>
	<u>4,832</u>	<u>4,530</u>
Depreciation of tangible fixed assets (note 8)	265	268
Auditors' remuneration	23	18
Lease of plant and machinery	75	30
Contract hire of motor vehicles	166	154
Interest payable on bank borrowings repayable within five years	502	247
Interest on finance leased assets	31	29
Consultancy fees	<u>165</u>	<u>-</u>

4 EXTRAORDINARY ITEM

During the year, the company relocated its head office and warehousing facilities and transferred the Wilmslow manufacturing operation to Macclesfield. This gave rise to redundancy and relocation costs. At 31 January 1989 the Wilmslow site was sold.

	<u>1989</u> £000	<u>1988</u> £000
Profit on disposal of property	292	946
Redundancy and relocation costs	<u>(280)</u>	<u>-</u>
	<u>12</u>	<u>946</u>

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 JANUARY 1989 (CONTINUED)

5 EMPLOYEES

The average number of persons employed by the company during the year in the United Kingdom was 623 (1988 - 660).

6 DIRECTORS' REMUNERATION

	<u>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
Directors' remuneration charged in the accounts:		
Remuneration for management services	240	263
Compensation for loss of office	<u>80</u>	<u>-</u>

The remuneration of the directors for management services, excluding pension contributions, was:

Chairman and highest paid director:

Remuneration for management services	58	51
Compensation for loss of office	<u>65</u>	<u>-</u>
	123	51
	<u>---</u>	<u>---</u>

Other directors

	<u>Number</u>	<u>Number</u>
£Nil - £5,000	-	1
£10,001 - £15,000	4	2
£15,001 - £20,000	-	1
£25,001 - £30,000	-	3
£35,001 - £40,000	2	-

7 TAXATION

At 31 January 1989, there were no potential deferred taxation liabilities.

There is no charge to corporation tax for the year (1988 - Nil). Trading losses carried forward at 31 January 1989 amount to approximately £1,400,000 (1988 - £1,450,000).

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 JANUARY 1989 (CONTINUED)

8 TANGIBLE FIXED ASSETS

	Freehold land and buildings £000	Long leasehold land and buildings £000	Short leasehold land and buildings £000	Plant and machinery, fixtures, motor vehicles and computer installation Finance Purchased £000	Leased £000	Total £000
<u>Cost</u>						
At 31 January 1988	-	-	36	1,070	662	1,768
Additions	-	758	-	532	-	1,290
Transfer from holding company	144	-	-	-	-	144
Disposals	(144)	-	-	(93)	-	(237)
At 31 January 1989	-	758	36	1,509	662	2,965
<u>Depreciation</u>						
At 31 January 1988	-	-	10	827	358	1,195
Charge for the year	-	31	1	122	111	265
Transfer from holding company	26	-	-	-	-	26
Disposals	(26)	-	-	(56)	-	(82)
At 31 January 1989	-	31	11	893	469	1,404
<u>Net Book Amount</u>						
At 31 January 1989	-	727	25	616	193	1,561
At 31 January 1988	-	-	26	243	304	573

In April 1988 long leasehold premises were acquired at Dallimore Road, Wythenshawe to house the head office function and finished goods warehouse. The warehouse commenced operations in June and the head office personnel transferred from Wilmslow in October. On 31 January 1989 the Wilmslow site was sold.

At 31 January 1989 there were no commitments either authorised or contracted for (1988 - £725,000).

9 STOCKS

	1989 £000	1988 £000
Stocks comprise:		
Raw materials and consumables	501	744
Work in progress	602	742
Finished goods	3,859	3,335
	4,962	4,821

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 JANUARY 1989 (CONTINUED)

10	DEBTORS	<u>1989</u> £000	<u>1988</u> £000
	Trade debtors	3,935	4,327
	Amount owed by holding company	-	87
	Other debtors	539	137
	Prepayments and accrued income	<u>464</u>	<u>615</u>
		4,938	5,166
		<hr/>	<hr/>
11	CREDITORS: Amounts falling due within one year	<u>1989</u> £000	<u>1988</u> £000
	Bank overdraft	2,612	3,182
	Trade creditors	1,324	1,475
	Amounts owed to holding company	20	-
	Obligations under finance leases (note 13)	104	121
	Indirect tax and social security liabilities	82	91
	Other creditors	122	54
	Accruals and deferred income	<u>1,429</u>	<u>698</u>
		5,693	5,621
		<hr/>	<hr/>
12	CREDITORS: Amounts falling due after more than one year	<u>1989</u> £000	<u>1988</u> £000
	Obligations under finance leases (note 13)	152	255
	Loan from holding company	2,500	2,500
	Bank loan	<u>780</u>	<u>-</u>
		3,432	2,755
		<hr/>	<hr/>

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

The bank loan facility has been agreed to April 1990 whereupon it is subject to review. Interest is charged at 1½% over the London Inter Bank offered rate.

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 JANUARY 1989 (CONTINUED)

13	FINANCE LEASES			<u>1989</u> £000	<u>1988</u> £000
	Amounts payable within one year			124	152
	Amounts payable between one and five years			167	291
	Less finance charges allocated to future periods			(35)	(67)
				<u>256</u>	<u>376</u>
				---	---
	Finance leases are analysed as:				
	Current obligations			104	121
	Non-current obligations			<u>152</u>	<u>255</u>
				<u>256</u>	<u>376</u>
				---	---
14	OPERATING LEASES				
	Lease rentals payable under non-cancellable operating leases are as follows:				
		<u>Plant and machinery</u>		<u>Motor vehicles</u>	
		<u>1989</u>	<u>1988</u>	<u>1989</u>	<u>1988</u>
		£000	£000	£000	£000
	Expiring:				
	Within one year	8	3	63	48
	Two to five years	<u>67</u>	<u>11</u>	<u>103</u>	<u>81</u>
		<u>75</u>	<u>14</u>	<u>166</u>	<u>129</u>
		---	---	---	---
15	CALLED UP SHARE CAPITAL			<u>1989</u> £000	<u>1988</u> £000
	Authorised, allotted and fully paid - 160,000 ordinary shares of £1 each			<u>160</u>	<u>160</u>
16	RESERVES				<u>Profit and loss account</u> £000
	At 31 January 1988				2,095
	Profit for the financial year				<u>142</u>
	At 31 January 1989				<u>2,237</u>

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 JANUARY 1989 (CONTINUED)

17 CONTINGENT LIABILITIES

The company has issued a fixed and floating charge over its assets, and joint and several guarantees in respect of the group's United Kingdom bank overdraft.

18 PENSION COMMITMENTS

The company operates pension schemes covering the majority of its employees. The benefits are to be provided out of insurance policies, the annual premiums of which are charged to the profit and loss account.

19 HOLDING COMPANY

The company is a wholly owned subsidiary of Humphreys & Co., Limited, a company incorporated in England.