

198168

UMBRO INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS - YEAR ENDED 31 JANUARY 1990

The directors present their report and the audited accounts of the company for the year ended 31 January 1990.

PRINCIPAL ACTIVITY

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

REVIEW OF THE BUSINESS

Turnover of Umbro branded merchandise has continued to increase beyond last year's performance in particular arising from both sales of soccer replica apparel products and growing sales of soccer footwear. The strengthening of the product merchandising team together with the benefits of operating our finished goods warehousing on one site have particularly contributed to better product and stock controls. As a result of these features the effect of range residues has been minimised and profitability has improved.

The management team continues their work improving the operations of the business including commencement of the implementation of the new computer systems referred to in last year's report.

TRADING RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £1,326,000 (1989 - £142,000).

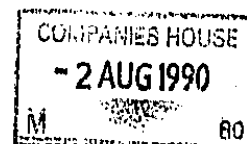
The directors do not recommend payment of a dividend (1989 - ENIL).

DIRECTORS

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

|               |   |
|---------------|---|
| J V Bisset    | (ceased to be a director 13 March 1989) |
| C J Humphreys | (appointed 27 February 1989)            |
| P F Kenyon    |   |
| G L Leech     |   |
| P J Draper    |   |
| A Hadfield    |   |
| M C Prothero  |   |
| E E Stone IV  | (appointed 27 February 1989)            |

None of the directors had any interest in the shares of the company at 31 January 1990 or 31 January 1989. C J Humphreys and E E Stone IV are also directors of the company's holding company, Humphreys Bros., Limited and their interests in the shares of that company are shown in the report of its directors.



UMBHO INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS - YEAR ENDED 31 JANUARY 1990 (CONTINUED)

C J Humphreys and E E Stone IV retire from the Board of Directors in accordance with the Articles of Association and offer themselves for re-election. G L Leech and P J Draper retire by rotation and also offer themselves for re-election.

FIXED ASSETS

The changes which have taken place during the year are set out in note 8 to the accounts. An independent revaluation of the company's long leasehold property as at 1 February 1989 was prepared by The Elliott Partnership, Chartered Surveyors, Manchester. This valuation has been incorporated in the accounts.

EMPLOYEES

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

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

AUDITORS

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

BY ORDER OF THE BOARD

  
G L LEECH  
SECRETARY

1 June 1990

Callimore Road  
Roundthorn Industrial Estate  
Wythenshawe  
Manchester  
M23 9GJ

AUDITORS' REPORT TO THE MEMBERS OF UMBRO INTERNATIONAL LIMITED

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

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31 January 1990 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.

*Brie Waterhouse*

Chartered Accountants  
Manchester

1 June 1990

UMBRO INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JANUARY 1990

|   | Notes | 1990<br>£000 | 1989<br>£000 |
|---|-------|--------------|--------------|
| TURNOVER  | 2     | 27,256       | 23,207       |
| Cost of sales                                       |       | (18,992)     | (16,503)     |
| GROSS PROFIT  |       | 8,264        | 6,704        |
| Selling and distribution costs                      |       | (4,904)      | (4,550)      |
| Administration expenses                             |       | (1,788)      | (1,495)      |
|   |       | (6,692)      | (6,045)      |
|   |       | 1,572        | 659          |
| Other operating income                              |       | 54           | 4            |
| OPERATING PROFIT                                    |       | 1,626        | 663          |
| Interest payable                                    | 3     | (300)        | (533)        |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION       | 3     | 1,326        | 130          |
| Taxation  | 7     | -            | -            |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION        |       | 1,326        | 130          |
| Extraordinary item                                  | 4     | -            | 12           |
| PROFIT FOR THE FINANCIAL YEAR SET ASIDE TO RESERVES | 16    | 1,326        | 142          |

The annexed notes form part of these accounts.

UMBRO INTERNATIONAL LIMITED

BALANCE SHEET - 31 JANUARY 1990

|   | Notes | 1990<br>£000  | 1989<br>£000 |
|---|-------|---------------|--------------|
| TANGIBLE FIXED ASSETS                                   | 8     | 1,815         | 1,561        |
| CURRENT ASSETS  |       |               |              |
| Stocks  | 9     | 4,594         | 4,962        |
| Debtors   | 10    | 5,396         | 4,938        |
| Cash at bank and in hand                                |       | 1,234         | 61           |
|   |       | <u>11,224</u> | <u>9,961</u> |
| CREDITORS: Amounts falling due within one year          | 11    | (3,644)       | (5,693)      |
| NET CURRENT ASSETS                                      |       | <u>7,580</u>  | <u>4,268</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES                   |       | 9,395         | 5,829        |
| CREDITORS: Amounts falling due after more than one year | 12    | (5,300)       | (3,432)      |
|   |       | <u>4,095</u>  | <u>2,397</u> |
| CAPITAL AND RESERVES                                    |       |               |              |
| Called up share capital                                 | 15    | 160           | 160          |
| Revaluation reserve                                     | 16    | 358           | -            |
| Profit and loss account                                 | 16    | 3,577         | 2,237        |
|   |       | <u>4,095</u>  | <u>2,397</u> |

Approved by the Board on 1 June 1990

DIRECTORS:

P F KENYON

G L LEECH

The annexed notes form part of these accounts.

UMBRO INTERNATIONAL LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
FOR THE YEAR ENDED 31 JANUARY 1990

|   | 1990<br>£000 | 1989<br>£000 |
|---|--------------|--------------|
| SOURCE OF FUNDS   |              |              |
| Profit for the year before taxation                       | 1,326        | 130          |
| Extraordinary item  | -            | 12           |
| Adjustment for items not involving the movement of funds: |              |              |
| Depreciation  | 316          | 265          |
| Loss/(profit) on disposal of fixed assets                 | 2            | (322)        |
| TOTAL GENERATED FROM OPERATIONS                           | 1,644        | 85           |
| FUNDS FROM OTHER SOURCES                                  |              |              |
| Proceeds from disposals of fixed assets                   | 33           | 477          |
| Bank loans  | -            | 725          |
| Other loans   | -            | 55           |
| Loan from holding company                                 | 2,050        | -            |
|   | 3,727        | 1,342        |
| APPLICATION OF FUNDS                                      |              |              |
| Loan repayments   | (16)         | -            |
| Purchase of fixed assets                                  | (233)        | (1,408)      |
| Finance lease repayments                                  | (104)        | -            |
|   | 3,374        | (66)         |
| (INCREASE)/DECREASE IN WORKING CAPITAL                    |              |              |
| Stocks  | 368          | (141)        |
| Debtors   | (458)        | 228          |
| Creditors   | 501          | 539          |
|   | 3,785        | 560          |
| MOVEMENT IN NET LIQUID FUNDS                              |              |              |
| Increase/(decrease) in cash at bank                       | 1,173        | (10)         |
| (Increase)/decrease in bank overdraft                     | 2,612        | 570          |
|   | 3,785        | 560          |

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 JANUARY 1990

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 valuation or 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 long leasehold buildings, 20% for plant, machinery and computer equipment, 7.5% 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 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 1990 (CONTINUED)

(h) Pension costs

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

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:

|                | 1990<br>£000  | 1989<br>£000  |
|----------------|---------------|---------------|
| United Kingdom | 24,820        | 21,483        |
| Other          | 2,436         | 1,724         |
|                | <u>27,256</u> | <u>23,207</u> |

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

|   | 1990<br>£000 | 1989<br>£000 |
|---|--------------|--------------|
| Is stated after charging:                                       |              |              |
| Staff costs:  |              |              |
| Wages and salaries  | 4,234        | 4,365        |
| Social security costs   | 324          | 316          |
| Other pension costs   | 120          | 151          |
|   | <u>4,678</u> | <u>4,832</u> |
| Depreciation of tangible fixed assets (note 8)                  | 316          | 265          |
| Auditors' remuneration  | 25           | 23           |
| Lease of plant and machinery                                    | 45           | 75           |
| Contract hire of motor vehicles                                 | 235          | 166          |
| Interest payable on bank borrowings repayable within five years | 280          | 502          |
| Interest on finance leased assets                               | 20           | 31           |
| Consultancy fees  | -            | 165          |
|   | <u></u>      | <u></u>      |

4 EXTRAORDINARY ITEM

|                                 | 1990<br>£'00 | 1989<br>£000 |
|---------------------------------|--------------|--------------|
| Profit on disposal of property  | -            | 292          |
| Redundancy and relocation costs | -            | (280)        |
|                                 | <u>-</u>     | <u>12</u>    |



UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 JANUARY 1990 (CONTINUED)

5 EMPLOYEES

The average number of persons employed by the company during the year in the United Kingdom was 553 (1989 - 623).

6 DIRECTORS' REMUNERATION

|  | <u>1990</u> | <u>1989</u> |
|--|-------------|-------------|
|  | <u>£000</u> | <u>£000</u> |
| Directors' remuneration charged in the accounts: |             |             |
| Remuneration for management services             | 246         | 240         |
| Compensation for loss of office                  | -           | 80          |
|  | <u>246</u>  | <u>320</u>  |

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

Chairman and highest paid director:

|                                      |           |            |
|--------------------------------------|-----------|------------|
| Remuneration for management services | 47        | 58         |
| Compensation for loss of office      | -         | 65         |
|                                      | <u>47</u> | <u>123</u> |

Other directors

|                   | <u>Number</u> | <u>Number</u> |
|-------------------|---------------|---------------|
| £0 - £5,000       | 2             | -             |
| £10,001 - £15,000 | -             | 4             |
| £30,001 - £35,000 | 2             | -             |
| £35,001 - £40,000 | 1             | 2             |
| £40,001 - £45,000 | 1             | -             |
| £45,001 - £50,000 | 1             | -             |

7 TAXATION

At 31 January 1990, there were no potential deferred taxation liabilities.

There is no charge to corporation for the year (1989 - Nil). Trading losses carried forward at 31 January 1990 amount to approximately £630,000 (1989 - £1,400,000).

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 JANUARY 1990 (CONTINUED)

8 TANGIBLE FIXED ASSETS

|                        | Long<br>leasehold<br>land and<br>buildings<br>£000 | Short<br>leasehold<br>land and<br>buildings<br>£000 | Plant and machinery,<br>fixtures, motor<br>vehicles and<br>computer<br>installation<br>Finance<br><u>Purchased</u><br>£000 | <u>leased</u><br>£000 | <u>Total</u><br>£000 |
|------------------------|--|---|--|-----------------------|----------------------|
| <u>Cost</u>            |  |   |  |                       |                      |
| At 1 February 1989     | 758  | 36  | 1,509  | 662                   | 2,965                |
| Additions              | -  | -   | 233  | -                     | 233                  |
| Revaluation surplus    | 372  | -   | -  | -                     | 372                  |
| Disposals              | (8)  | -   | (74)   | -                     | (82)                 |
| At 1 February 1990     | 1,122  | 36  | 1,668  | 662                   | 3,488                |
| <u>Depreciation</u>    |  |   |  |                       |                      |
| At 1 February 1989     | 31   | 11  | 893  | 469                   | 1,404                |
| Charge for the year    | 43   | 25  | 157  | 91                    | 316                  |
| Disposals              | -  | -   | (47)   | -                     | (47)                 |
| At 31 January 1990     | 74   | 36  | 1,003  | 560                   | 1,673                |
| <u>Net Book Amount</u> |  |   |  |                       |                      |
| At 31 January 1990     | 1,048  | Nil   | 665  | 102                   | 1,815                |
| At 1 February 1989     | 727  | 25  | 616  | 193                   | 1,561                |

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

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

|                        | £000       |
|------------------------|------------|
| Cost                   | 750        |
| Aggregate depreciation | (60)       |
|                        | <u>710</u> |

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 JANUARY 1990 (CONTINUED)

|   |                               |                     |                     |
|---|-------------------------------|---------------------|---------------------|
| 9 | STOCKS                        | <u>1990</u><br>£000 | <u>1989</u><br>£000 |
|   | Stocks comprise:              |                     |                     |
|   | Raw materials and consumables | 621                 | 501                 |
|   | Work in progress              | 806                 | 602                 |
|   | Finished goods                | 3,167               | 3,859               |
|   |                               | <u>4,594</u>        | <u>4,962</u>        |

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

|    |                                |                     |                     |
|----|--------------------------------|---------------------|---------------------|
| 10 | DEBTORS                        | <u>1990</u><br>£000 | <u>1989</u><br>£000 |
|    | Trade debtors                  | 4,258               | 3,935               |
|    | Other debtors                  | 259                 | 539                 |
|    | Prepayments and accrued income | 879                 | 464                 |
|    |                                | <u>5,396</u>        | <u>4,938</u>        |

|    |  |                     |                     |
|----|--|---------------------|---------------------|
| 11 | CREDITORS: Amounts falling due within one year | <u>1990</u><br>£000 | <u>1989</u><br>£000 |
|    | Bank overdraft                                 | -                   | 2,612               |
|    | Current instalment due on bank loan (note 12)  | 90                  | -                   |
|    | Current instalment due on other loan           | 22                  | 27                  |
|    | Trade creditors                                | 1,811               | 1,324               |
|    | Amounts owed to holding company                | 36                  | 20                  |
|    | Obligations under finance leases (note 13)     | 81                  | 104                 |
|    | Indirect tax and social security liabilities   | 78                  | 82                  |
|    | Other creditors                                | 51                  | 95                  |
|    | Accruals and deferred income                   | 1,475               | 1,429               |
|    |  | <u>3,644</u>        | <u>5,693</u>        |

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 JANUARY 1990 (CONTINUED)

12 CREDITORS: Amounts falling due after more than one year

|  | <u>1990</u><br><u>£000</u> | <u>1989</u><br><u>£000</u> |
|--|----------------------------|----------------------------|
| Obligations under finance leases (note 13) | 71                         | 152                        |
| Loan from holding company                  | 4,550                      | 2,500                      |
| Bank loan                                  | 635                        | 725                        |
| Other loan                                 | 44                         | 55                         |
|  | <u>5,300</u>               | <u>3,432</u>               |

During the year the holding company invested £2,050,000 proceeds from the sale of its Wilmslow site in the company.

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 30 October 1990 whereupon it is subject to review. Interest is charged at 1 3/4% over the London Inter Bank offered rate.

13 FINANCE LEASES

|  | <u>1990</u><br><u>£000</u> | <u>1989</u><br><u>£000</u> |
|--|----------------------------|----------------------------|
| Amounts payable within one year                  | 91                         | 124                        |
| Amounts payable between one and five years       | 76                         | 167                        |
| Less finance charges allocated to future periods | (15)                       | (35)                       |
|  | <u>152</u>                 | <u>256</u>                 |

Finance leases are analysed as:

|                         |            |            |
|-------------------------|------------|------------|
| Current obligations     | 81         | 104        |
| Non-current obligations | 71         | 152        |
|                         | <u>152</u> | <u>256</u> |

14 OPERATING LEASES

At 31 January 1990, the company had annual commitments under non-cancellable operating leases as follows:

|                         | <u>Plant and machinery</u> |                            | <u>Motor vehicles</u>      |                            |
|-------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
|                         | <u>1990</u><br><u>£000</u> | <u>1989</u><br><u>£000</u> | <u>1990</u><br><u>£000</u> | <u>1989</u><br><u>£000</u> |
| Expiring:               |                            |                            |                            |                            |
| Within one year         | 25                         | 8                          | 40                         | 63                         |
| Two to five years       | 14                         | 67                         | 160                        | 103                        |
| In more than five years | 6                          | -                          | -                          | -                          |
|                         | <u>45</u>                  | <u>75</u>                  | <u>200</u>                 | <u>166</u>                 |

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 JANUARY 1990 (CONTINUED)

15 CALLED UP SHARE CAPITAL

|   | <u>1990</u><br><u>£000</u> | <u>1989</u><br><u>£000</u> |
|---|----------------------------|----------------------------|
| Authorised, allotted and fully paid -<br>160,000 ordinary shares of £1 each | <u>160</u>                 | <u>160</u>                 |

16 RESERVES

|                                   | <u>Profit and<br/>loss account</u><br><u>£000</u> |
|-----------------------------------|---|
| At 1 February 1989                | 2,237   |
| Profit for the financial year     | 1,326   |
| Transfer from revaluation reserve | 14  |
| At 31 January 1990                | <u>3,577</u>                                      |

|  | <u>Revaluation<br/>Reserve</u><br><u>£000</u> |
|--|---|
| At 1 February 1989                     | -   |
| Arising on revaluation during the year | 372   |
| Transfer to profit and loss account    | (14)  |
| At 31 January 1990                     | <u>358</u>                                    |

17 CAPITAL COMMITMENTS

|            | <u>1990</u><br><u>£000</u> | <u>1989</u><br><u>£000</u> |
|------------|----------------------------|----------------------------|
| Contracted | <u>479</u>                 | <u>-</u>                   |

18 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.

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 JANUARY 1990 (CONTINUED)

18 PENSION COMMITMENTS

The company operates pension schemes providing benefits based on final pensionable pay. The assets of the schemes, which are held separately from those of the company, are invested with insurance companies. Contributions to the schemes are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The rates of contributions are determined by qualified actuaries on the basis of triennial valuations using the projected accrued and projected unit methods. The pension charge for the year was £89,229 (1989 £102,434).

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

19 HOLDING COMPANY

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