

Speedo (Europe) Limited
Directors' Report and Financial Statements
31 December 1993

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SPEEDO (EUROPE) LIMITED

DIRECTORS' REPORT

The directors submit their report and the financial statements for the year ended 31 December 1993.

PRINCIPAL ACTIVITIES

The principal activities of the company are the manufacture and distribution of swimwear, swimming accessories, gymnastic and keep fit merchandise, co-ordinating and competitive sportswear.

RESULTS

No dividends were paid or proposed in the year. Profits of £2,760,000 have been transferred to reserves.

REVIEW OF BUSINESS

Significant growth in France, Germany and other European countries was achieved in the year while turnover levels were maintained in the UK in a difficult trading climate.

The company benefited from further enhancements to margin in 1993 as the result of savings in material and labour costs coupled with the benefits of supply chain efficiencies resulting from a more focused range and increased throughput.

Tight controls of overheads were maintained during the year alongside investment in infrastructure and marketing to support planned expansion activity in 1994. A major consumer advertising campaign will be executed in 1994 within the UK, France and Germany. This compliments major European swimming team and event sponsorships to support the company's growth objectives.

Working capital levels have increased in the year due partly to volume but also due to the earlier investment in Spring/Summer season stock to better meet customer service requirements.

FIXED ASSETS

Information relating to changes in fixed assets is given in note 8 to the financial statements.

DIRECTORS AND THEIR SHARE INTERESTS

The directors during the year were as follows:

D A Bernstein (Chairman)
C M Butler
J Leaver
P McGuigan
T P Rochricht
R S Rubin
D A G Smith
J P Tew
M Torrance
J Wake

SPEEDO (EUROPE) LIMITED

DIRECTORS' REPORT CONTINUED

Mr R S Rubin, Mr D A Bernstein and Mr P McGuigan are directors of Pentland Group plc and, except as disclosed in the financial statements of that company, they have no interest in the shares of any other Group undertaking. The interests of the other directors are disclosed in the accounts of the immediate parent undertaking, Shaw MacRae Limited.

No director had any material interest in any contract with the Company during the year.

T P Roehricht ceased to be a director on 30th April 1993

J Leaver ceased to be a director on 10th September 1993.

EMPLOYEES

It is the policy of the Company to give full and fair consideration to applications for employment made by disabled persons, having regard to the maintenance of a safe working environment and the constraints of their disabilities. Wherever possible, arrangements are made for the continued employment of persons who have become disabled during service including retraining and continued career development.

During the year, the policy of providing employees with information about the Company has been continued through various mechanisms including meetings, circulars and notices.

STATEMENT OF 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 for that period. In preparing those financial statements, 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 departures disclosed and explained in the financial statements;
- prepare financial statements 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 financial statements 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.

DIRECTORS' AND OFFICERS' INSURANCE

Insurance has been taken out under Section 310 (3)(a) of the Companies Act 1985 for the Company's Directors and Officers against liabilities in relation to the Company.

SPEEDO (EUROPE) LIMITED

AUDITORS

A resolution to re-appoint Price Waterhouse as auditors will be proposed at the Annual General Meeting.

By Order of the Board



R A STEVENS
Secretary

9th March 1994

Registered Number: 227323

Registered Office: The Pentland Centre
Lakeside,
Squires Lane,
Finchley, N3 2QL

SPEEDO (EUROPE) LIMITED

AUDITORS' REPORT TO THE MEMBERS OF
SPEEDO (EUROPE) LIMITED

We have audited the financial statements on pages 5 to 18 which have been prepared under the historical cost convention (as modified by the revaluation of Freehold Land and Buildings) and the accounting policies set out on pages 8 to 9.

Respective responsibilities of directors and auditors

As described on page 2 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 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 as at 31st December 1993 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

PRICE WATERHOUSE
Chartered Accountants & Registered Auditors

9th March 1994

Victoria House
76 Milton Street
Nottingham
NG1 3QY

SPEEDO (EUROPE) LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1993

	Notes	1993 £'000	1992 £'000
TURNOVER (Continuing Operations)		25,794	22,618
Operating Profit	2	3,709	1,526
Interest (Net)	5	(241)	(355)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,468	1,171
Taxation	6	(708)	(193)
TRANSFERRED TO RESERVES	17	2,760	978

SPEEDO (EUROPE) LIMITED**BALANCE SHEET**
AS AT 31ST DECEMBER 1993

	Notes	£'000	1993 £'000	£'000	1992 £'000
FIXED ASSETS					
Tangible Assets	8		2,975		2,971
Investments	9		12		12
			<hr/>		<hr/>
			2,987		2,983
CURRENT ASSETS					
Stocks	10	5,890		3,651	
Debtors	11	5,704		5,642	
Cash at Bank		288		1,612	
		<hr/>		<hr/>	
		11,882		10,905	
CREDITORS (amounts falling due within one year)					
	12	(5,592)		(7,244)	
		<hr/>		<hr/>	
NET CURRENT ASSETS			6,290		3,661
			<hr/>		<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES			9,277		6,644
CREDITORS (amounts falling due after more than one year)					
	13		(50)		(142)
			<hr/>		<hr/>
			9,227		6,502
			<hr/>		<hr/>
CAPITAL AND RESERVES					
Called up share capital	16		7,391		7,426
Share premium accounts	17		40		40
Revaluation reserve	17		616		590
Profit and loss account	17		1,180		(1,554)
			<hr/>		<hr/>
			9,227		6,502
			<hr/>		<hr/>

These financial statements were approved by the Board of Directors on 9th March 1994


D. A. SMITH
Director

SPEEDO (EUROPE) LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31ST DECEMBER 1993

	<u>1993</u> <u>£'000</u>	<u>1992</u> <u>£'000</u>
Profit attributable to shareholders and total recognised gains and losses	2,760	978

NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 31ST DECEMBER 1993

	<u>1993</u> <u>£'000</u>	<u>1992</u> <u>£'000</u>
Profit before taxation	3,468	1,171
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount.	10	10
Historical cost profit before tax	3,478	1,181
Historical cost retained profit	2,770	988

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
AS AT 31ST DECEMBER 1993

	<u>1993</u> <u>£'000</u>	<u>1992</u> <u>£'000</u>
Profit for the financial year	2,760	978
Redemption of preference shares	(35)	-
Opening Shareholders funds	6,502	5,524
Closing Shareholders' funds	9,227	6,502

SPEEDO (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 1997

1. ACCOUNTING POLICIES

Accounting Convention

The financial statements are prepared under the historical cost convention, as modified by the revaluation of freehold properties, and in accordance with applicable accounting standards.

Turnover

Turnover is the invoiced value of goods and services supplied during the year, excluding value added tax.

Tangible fixed assets

The cost or subsequent valuation of tangible fixed assets is depreciated over the estimated useful lives of the assets commencing from the time they become operational. The annual rates used are as follows:

Freehold Buildings	2%
Plant and Machinery	10%
Fixtures and Fittings	10% - 33 1/3%
Motor Vehicles	25%
Computer Equipment	25%

Stocks

Stocks are stated at the lower of cost, including an appropriate share of production overhead where relevant, and estimated net realisable value on bases which have been consistently applied.

Deferred Taxation

No provision is made for deferred taxation arising from the allocation for taxation purposes of income and expenditure to periods different from those used for accounting purposes unless there is reasonable probability that such timing differences will give rise to a taxation liability in the foreseeable future.

Leases

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The excess of the lease payments over the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation.

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

SPEEDO (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 DECEMBER 1993

1. ACCOUNTING POLICIES (CONTINUED)

Pensions

The pension cost charge represents the contributions payable by the company under the rules of the scheme.

Statement of Cash Flows

Shaw Macrae Ltd, of which the Group is a wholly owned subsidiary, has presented in its consolidated accounts a group cash flow statement drawn up under the provisions of Financial Reporting Standard 1: Cash Flow Statements (FRS 1). Accordingly the Group has taken advantage of the exemption available under FRS 1 to dispense with presenting its own cash flow statement.

Segmental Report

In accordance with the provisions of Statement of Standard Accounting Practice 25 (SSAP 25), the Group has taken advantage of the dispensation to prepare a segmental report where such a report is prepared by the parent undertaking, Pentland Group plc. An analysis of turnover by location has been presented as required by paragraph 55 (2) of Schedule 4 to the Companies Act 1985.

Translation of Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated into Sterling at rates of exchange ruling at the end of the financial year, or at contracted rates where appropriate.

SPEEDO (EUROPE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
YEAR ENDED 31ST DECEMBER 1993**2. TURNOVER, OPERATING PROFIT AND SEGMENTAL ANALYSIS**

	1993 £'000	1992 £'000
Turnover	25,794	22,618
Increase/(Decrease) in stocks	2,239	(1,584)
Other operating income	151	116
	<hr/>	<hr/>
	28,184	21,150
	<hr/>	<hr/>
Purchases and direct charges	13,558	11,080
Staff costs:		
Wages & Salaries	4,948	4,031
Social Security Costs	420	310
Other pension costs	144	143
Depreciation of tangible fixed assets	515	273
Hire of plant and equipment	61	154
Auditors' remuneration	26	24
Remuneration paid to auditors for non-audit work	15	21
Gains/(Losses) arising on foreign currency translations	176	(118)
Other operating charges	4,612	3,706
	<hr/>	<hr/>
	24,475	19,624
	<hr/>	<hr/>
Operating Profit	3,709	1,526
	<hr/>	<hr/>

Analysis of Turnover by Destination

	1993 £'000	1992 £'000
United Kingdom	12,636	12,213
Continental Europe	12,083	9,367
Far East	704	669
Other World	371	369
	<hr/>	<hr/>
	25,794	22,618
	<hr/>	<hr/>

SPEEDO (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 DECEMBER 1993

3. DIRECTORS AND EMPLOYEES

Directors' Emoluments	1993 £'000	1992 £'000
Directors' remuneration (including pension contributions)	1,209	546

In addition a total of £193,333 compensation for loss of office was paid to two former directors.

Remuneration of the highest paid director (excluding pension contributions)	275	97
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No remuneration was paid to the chairman in either 1992 or 1993.

Scale of other directors' remuneration (excluding pension contributions):	1993 Number	1992 Number
£0 - 5,000	2	3
£10,001 - 15,000	-	1
£55,001 - 60,000	-	3
£60,001 - 65,000	-	2
£80,001 - 85,000	1	-
£95,001 - 100,000	-	1
£120,001 - 125,000	1	-
£130,001 - 135,000	2	-
£160,001 - 165,000	1	-
£265,001 - 270,000	1	-

Average number of employees	1993 Number	1992 Number
Sales	43	51
Production and distribution	330	314
Administration	29	31
	402	396

SPEEDO (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 DECEMBER 1993

4. PENSIONS

The company operates a defined contribution (money purchase) pension scheme. The assets of the scheme are held separately from those of the company.

This fund is under control of trustees who have invested it with a UK insurance company.

The pension cost charge represents contributions to the fund payable by the company under the rules of the scheme. The total amounted to £114,000 (1992: £116,000).

A further £30,000 was contributed by the Company to employees' private pension schemes in 1993 (1992 £27,000).

5. INTEREST

	1993 £'000	1992 £'000
Interest receivable -		
Bank Interest	164	82
	—	—
Interest payable -		
Bank loans and overdrafts repayable within 5 years	369	406
Finance lease interest	36	31
	—	—
	405	437
	—	—
Net Interest Payable	241	355
	—	—

SPEEDO (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 DECEMBER 1993

6. TAXATION

	1993 £'000	1992 £'000
Corporation tax at 33% (1992 33%)	708	193
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7. COMMITMENTS

At 31 December 1993 the company was committed to making the following payments during the next year in respect of operating leases for plant and equipment.

	1993 £'000	1992 £'000
Expiring -		
within one year	16	48
between one and five years	31	71
	<hr/>	<hr/>
	47	119
	<hr/>	<hr/>

The company had no capital commitments as at 31st December 1993 or 31st December 1992.

SPEEDO (EUROPE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****YEAR ENDED 31 DECEMBER 1993****8. TANGIBLE FIXED ASSETS**

	Freehold land and buildings £'000	Plant and vehicles £'000	Total £'000
COST OR VALUATION			
At 1 January 1993	1,448	2,957	4,405
Additions	8	589	597
Disposals	-	(89)	(89)
	<hr/>	<hr/>	<hr/>
At 31 December 1993	1,456	3,457	4,913
	<hr/>	<hr/>	<hr/>
At Valuation 1988	999	-	999
At Cost	457	3,457	3,914
	<hr/>	<hr/>	<hr/>
	1,456	3,457	4,913
	<hr/>	<hr/>	<hr/>
DEPRECIATION			
At 1 January 1993	232	1,202	1,434
Charge for the year	63	452	515
Disposals	-	(11)	(11)
	<hr/>	<hr/>	<hr/>
At 31 December 1993	295	1,643	1,938
	<hr/>	<hr/>	<hr/>
NET BOOK AMOUNT			
At 31 December 1993	1,161	1,814	2,975
	<hr/>	<hr/>	<hr/>
At 1 January 1993	1,216	1,755	2,971
	<hr/>	<hr/>	<hr/>

The net book amount of the Company's fixed assets includes £278,000 (1992: £351,000) in respect of assets held under finance lease contracts.

Depreciation of £73,000 has been charged to revenue in respect of finance leases (1992: £95,000).

SPEEDO (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 DECEMBER 1993

8. TANGIBLE FIXED ASSETS (CONTINUED)

Land and buildings owned by the Company would have been included on an historical cost basis as follows:

	1993 £'000	1992 £'000
Cost	904	896
Depreciation	(359)	(306)
	<hr/>	<hr/>
	545	590
	<hr/>	<hr/>

9. INVESTMENTS

	1993 £'000	1992 £'000
Shares in subsidiary undertaking at cost	12	12
	<hr/>	<hr/>

The company holds shares in a wholly owned subsidiary undertaking, Speedo (Deutschland) GmbH; a company incorporated in Germany whose principal activity is the distribution of swimwear.

10. STOCKS

	1993 £'000	1992 £'000
Raw Materials	1,233	864
Work in Progress	430	566
Finished Goods	4,227	2,221
	<hr/>	<hr/>
	5,890	3,651
	<hr/>	<hr/>

SPEEDO (EUROPE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****YEAR ENDED 31 DECEMBER 1993****11. DEBTORS**

	1993 £'000	1992 £'000
Trade debtors	2,904	2,444
Amounts owed by subsidiary undertakings	900	1,082
Amounts owed by fellow subsidiary undertakings	1,173	1,314
Other debtors	379	506
Prepayments & Accrued Income	348	296
	<hr/>	<hr/>
	5,704	5,642
	<hr/>	<hr/>

12. CREDITORS (AMOUNTS FALLING DUE WITHIN ONE YEAR)

	1993 £'000	1992 £'000
Bank loans and overdrafts	24	176
Trade creditors	1,511	1,431
Bills of exchange payable	413	439
Amounts owed to fellow subsidiary undertakings	1,117	3,831
Corporation Tax	901	205
Other taxation and social security	219	123
Obligations under finance leases	90	92
Other creditors	938	505
Accruals	379	432
	<hr/>	<hr/>
	5,592	7,244
	<hr/>	<hr/>

Included in other creditors is £9,408 (1992: £9,894) due in respect of employers' contributions to pension schemes.

SPEED O (EUROPE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****YEAR ENDED 31 DECEMBER 1993****13. CREDITORS (AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR)**

	1993 £'000	1992 £'000
Obligations under finance leases	50	142
	<hr/>	<hr/>

14. DEFERRED TAXATION

	1993		1992	
	Provided £'000	Unprovided £'000	Provided £'000	Unprovided £'000
Accelerated Capital Allowances	-	220	-	222
Revaluation Reserve Timing Difference		203		195
Other Timing Differences	-	3	-	(9)
	<hr/>	<hr/>	<hr/>	<hr/>
	-	426	-	408
	<hr/>	<hr/>	<hr/>	<hr/>

15. FINANCE LEASE OBLIGATIONS

	1993 £'000	1992 £'000
Obligations (net of finance charges) are payable under finance leases as follows:		
Due within one year	90	92
Due within one and two years	50	92
Due between two and five years	-	50
	<hr/>	<hr/>
	140	234
	<hr/>	<hr/>

16. CALLED UP SHARE CAPITAL

	1993 £'000	1992 £'000
Authorised, allotted and fully paid		
6,908,353 Ordinary shares of £1 each	6,908	6,908
468,000 Redeemable Preference shares of £1 each	468	468
14,452 6% (now 4.38% plus tax credit)	15	50
Cumulative Preference shares of £1 each	<hr/>	<hr/>
	7,391	7,426
	<hr/>	<hr/>

Preference shares are redeemable at the Company's option; no premium is payable on redemption.

35,458 6% Cumulative Preference shares were redeemed at par during the year.

SPEEDO (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 DECEMBER 1993

17. RESERVES

	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000
Balance at 1 January 1993	40	590	(1,554)
Profit for the year	-	-	2,760
Revaluation Transfer	-	26	(26)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 1993	40	616	1,180
	<hr/>	<hr/>	<hr/>

18. PARENT UNDERTAKINGS

The immediate Parent Undertaking is Shaw MacRae Limited, a company registered in England. Consolidated accounts will be prepared by Shaw MacCrae Limited for the year ended 31 December 1993 and these will be obtainable from the Company's registered office at The Pentland Centre, Lakeside, Squires Lane, Finchley N3 2QL.

The intermediate parent undertaking, Pentland Group plc, a company registered in Scotland, has produced consolidated accounts which are available from Albany House, 58 Albany Street, Edinburgh, EH1 3QR. The ultimate parent undertaking is Robert Stephen Holdings Limited, a company registered in England. Consolidated accounts will be prepared by Robert Stephen Holdings Limited for the year ended 31 December 1993 and these will be obtainable from the Company's registered office at The Pentland Centre, Lakeside, Squires Lane, Finchley N3 2QL.

19. CONTINGENT LIABILITIES

There are contingent liabilities relating to bills payable of £413,000 (1992: £439,000).