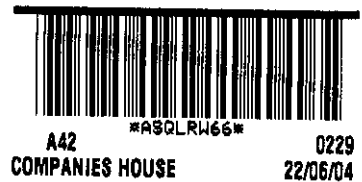


Company Registration No. 290939 (England and Wales)

**LILLYWHITES LIMITED**  
**REPORT AND ACCOUNTS**  
**FOR THE PERIOD ENDED 27 APRIL 2003**



# LILLYWHITES LIMITED

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# LILLYWHITES LIMITED

## DIRECTORS' REPORT FOR THE PERIOD ENDED 27 APRIL 2003

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The directors present their report and financial statements for the period 1 January 2002 to 27 April 2003 to align the period end with that of its parent undertaking.

### Principal activities and review of the business

The principal activity of the company continued to be the retail of sports and leisure products.

On 12th March 2002, the whole of the issued share capital of the company was acquired by Sports World International Limited.

### Results and dividends

The results for the period are set out on page 4.

### Directors

The following directors have held office since 1 January 2002:

|                        |                           |
|------------------------|---------------------------|
| Felix Funcke           | (Resigned 26 March 2002)  |
| JMSC Soares Dos Santos | (Resigned 26 March 2002)  |
| Lynton Chopping        | (Resigned 5 July 2002)    |
| M J W Ashley           | (Appointed 26 March 2002) |
| J Ashley               | (Appointed 26 March 2002) |
| D M Forsey             | (Appointed 26 March 2002) |
| S Nevitt               | (Appointed 26 March 2002) |

### Directors' interests

The directors' interests in the shares of the company were as stated below:

The director, M J W Ashley has a 100% interest in the shares of Lillywhites Limited due to his 100% ownership of the share capital of the parent company.

### Creditor payment policy

The company's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts;
- and
- pay in accordance with the company's contractual and other legal obligations.

# LILLYWHITES LIMITED

## DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 27 APRIL 2003

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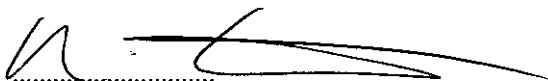
### Directors' responsibilities

Company law requires the directors to prepare financial statements 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 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 the 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.

On behalf of the board



M J W Ashley

Director

27/5/04

# LILLYWHITES LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LILLYWHITES LIMITED

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We have audited the financial statements of Lillywhites Limited on pages 4 to 14 for the period ended 27 April 2003. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 with the company 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 United Kingdom 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 as at 27 April 2003 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Eacotts Ltd

Chartered Accountants  
Registered Auditor

28<sup>th</sup> May 2004

*Eacotts Limited*

Grenville Court, Britwell Road  
Burnham  
Buckinghamshire  
SL1 8DF

# LILLYWHITES LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 27 APRIL 2003

|  |       | Period ended<br>27 April<br>2003<br>£ | Year ended<br>31 December<br>2001<br>£ |
|--|-------|---------------------------------------|--|
|  | Notes |                                       |  |
| Turnover   | 2     | 44,807,861                            | 30,240,796                             |
| Cost of sales                                      |       | (29,966,729)                          | (17,984,252)                           |
| <b>Gross profit</b>                                |       | <b>14,841,132</b>                     | <b>12,256,544</b>                      |
| Distribution costs                                 |       | (17,241,044)                          | (11,997,301)                           |
| Administrative expenses                            |       | (857,154)                             | (2,892,266)                            |
| <b>Operating loss</b>                              | 3     | <b>(3,257,066)</b>                    | <b>(2,633,023)</b>                     |
| <b>Exceptional items</b>                           | 6     | <b>(36,972)</b>                       | <b>(786,632)</b>                       |
| <b>Loss on ordinary activities before interest</b> |       | <b>(3,294,038)</b>                    | <b>(3,419,655)</b>                     |
| Other interest receivable and similar income       |       | 27,718                                | 1,773                                  |
| Interest payable and similar charges               | 4     | (56,573)                              | (3,046,973)                            |
| <b>Loss on ordinary activities before taxation</b> |       | <b>(3,322,893)</b>                    | <b>(6,464,855)</b>                     |
| Tax on loss on ordinary activities                 | 5     | 3,178,000                             | -                                      |
| <b>Loss on ordinary activities after taxation</b>  | 14    | <b>(144,893)</b>                      | <b>(6,464,855)</b>                     |

The profit and loss account has been prepared on the basis that all operations are continuing operations.


There are no recognised gains and losses other than those passing through the profit and loss account.

# LILLYWHITES LIMITED

## BALANCE SHEET AS AT 27 APRIL 2003

|   | Notes | 2003<br>£          | £ | 2001<br>£          | £ |
|---|-------|--------------------|---|--------------------|---|
| <b>Fixed assets</b>                                   |       |                    |   |                    |   |
| Tangible assets                                       | 7     | 13,890,184         |   | 16,131,457         |   |
| <b>Current assets</b>                                 |       |                    |   |                    |   |
| Stocks  | 8     | 2,195,752          |   | 5,209,380          |   |
| Debtors   | 9     | 1,456,241          |   | 2,245,469          |   |
| Deferred tax asset                                    | 9     | 3,178,000          |   | -                  |   |
| Cash at bank and in hand                              |       | 2,607,386          |   | 327,119            |   |
|   |       | <u>9,437,379</u>   |   | <u>7,781,968</u>   |   |
| <b>Creditors: amounts falling due within one year</b> | 10    | <u>(4,914,370)</u> |   | <u>(5,861,829)</u> |   |
| <b>Net current assets</b>                             |       | <u>4,523,009</u>   |   | <u>1,920,139</u>   |   |
| <b>Total assets less current liabilities</b>          |       | <u>18,413,193</u>  |   | <u>18,051,596</u>  |   |
| <b>Provisions for liabilities and charges</b>         | 11    | <u>(506,490)</u>   |   | <u>-</u>           |   |
|   |       | <u>17,906,703</u>  |   | <u>18,051,596</u>  |   |
| <b>Capital and reserves</b>                           |       |                    |   |                    |   |
| Called up share capital                               | 13    | 44,838,995         |   | 44,838,995         |   |
| Profit and loss account                               | 14    | (26,932,292)       |   | (26,787,399)       |   |
| <b>Shareholders' funds</b>                            | 15    | <u>17,906,703</u>  |   | <u>18,051,596</u>  |   |
| Equity interests                                      |       | 17,806,703         |   | 17,951,596         |   |
| Non-equity interests                                  |       | 100,000            |   | 100,000            |   |
|   |       | <u>17,906,703</u>  |   | <u>18,051,596</u>  |   |

The financial statements were approved by the Board on 27/5/04

  
M J W Ashley  
Director

# LILLYWHITES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 27 APRIL 2003

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### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

These accounts are prepared on the going concern basis because the parent company, Sports World International Limited, on which the company is reliant, has confirmed its intention of providing ongoing financial support.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking of Sports World International Limited and the cashflows of the company are included in the consolidated cashflow statement of the group.

#### 1.2 Turnover

Turnover represents amounts receivable for goods net of VAT.

#### 1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

|                         |                                      |
|-------------------------|--------------------------------------|
| Long Leasehold property | over the lease term                  |
| Plant and machinery     | between 15% and 33% reducing balance |

#### 1.4 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

#### 1.5 Stock

Stock is valued at the lower of cost and net realisable value.

#### 1.6 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the period in accordance with FRS 17.

#### 1.7 Deferred taxation

The accounting policy in respect of deferred tax has been changed to reflect the requirements of FRS19 - Deferred tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

The above amounts to a change in accounting policy. The previous policy was to provide deferred tax only to the extent that it was probable that liabilities would crystallise in the foreseeable future.

The adoption of the standard has not required a prior period adjustment. If the new policy had been in place in the previous period no asset would not have been recognised as the conditions for recognition would not have been satisfied.

# LILLYWHITES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 27 APRIL 2003

### 2 Turnover

The total turnover of the company for the period has been derived from its principal activity wholly undertaken in the United Kingdom.

| 3 Operating loss                         | 2003<br>£ | 2001<br>£ |
|--|-----------|-----------|
| Operating loss is stated after charging: |           |           |
| Depreciation of tangible assets          | 1,727,154 | 1,573,571 |
| Loss on disposal of tangible assets      | 936,269   | 398,075   |
| Operating lease rentals                  | 4,326,032 | 4,637,031 |
| Auditors' remuneration                   | 15,482    | 33,718    |

| 4 Interest payable                    | 2003<br>£       | 2001<br>£          |
|---------------------------------------|-----------------|--------------------|
| On amounts payable to group companies | -               | (2,047,331)        |
| On bank loans and overdrafts          | (38,959)        | (998,672)          |
| Other interest                        | (17,614)        | (970)              |
|                                       | <u>(56,573)</u> | <u>(3,046,973)</u> |

# LILLYWHITES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 27 APRIL 2003

| 5 | Taxation   | 2003              | 2001              |
|---|--|-------------------|-------------------|
|   |  | <u>          </u> | <u>          </u> |
|   | Current tax charge   | -                 | -                 |
|   | <b>Deferred tax</b>  |                   |                   |
|   | Origination and reversal of timing differences   | (550,000)         | -                 |
|   | Tax losses recoverable   | (2,628,000)       | -                 |
|   |  | <u>          </u> | <u>          </u> |
|   |  | (3,178,000)       | -                 |
|   |  | <u>          </u> | <u>          </u> |
|   | <b>Factors affecting the tax charge for the period</b>   |                   |                   |
|   | Loss on ordinary activities before taxation  | (3,322,893)       | (6,464,855)       |
|   |  | <u>          </u> | <u>          </u> |
|   | Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 0.00% (2001: 0.00%) | -                 | -                 |
|   | Effects of:  | <u>          </u> | <u>          </u> |
|   | <b>Current tax charge</b>  | -                 | -                 |
|   |  | <u>          </u> | <u>          </u> |

### Tax losses recoverable:

There are unutilised trading losses in Lillywhites Limited of £24,793 thousand available for surrender against its future trading profits. The recoverability of these tax losses is included as a deferred tax asset for the first time in the current period, to the extent that directors believe that the losses will be exceeded by trading profits in the foreseeable future.

| 6 | Exceptional items          | 2003              | 2001              |
|---|----------------------------|-------------------|-------------------|
|   |                            | £                 | £                 |
|   | Impairment on fixed assets | (36,972)          | (786,632)         |
|   |                            | <u>          </u> | <u>          </u> |

Impairment reviews were carried out on three loss making stores, comparing their carrying value to the net realisable value and the value in use based on cash flows over the remaining lease terms discounted at 8% pa.

# LILLYWHITES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 27 APRIL 2003

### 7 Tangible fixed assets

|                       | Long<br>Leasehold<br>property<br>£ | Land and<br>buildings<br>Freehold<br>£ | Fixtures,<br>fittings &<br>equipment<br>£ | Total<br>£  |
|-----------------------|------------------------------------|--|---|-------------|
| <b>Cost</b>           |                                    |  |   |             |
| At 1 January 2002     | 13,799,287                         | 316,375                                | 13,967,729                                | 28,083,391  |
| Additions             | 70,178                             | 108,358                                | 285,728                                   | 464,264     |
| Disposals             | -                                  | (122,187)                              | (6,017,421)                               | (6,139,608) |
| At 27 April 2003      | 13,869,465                         | 302,546                                | 8,236,036                                 | 22,408,047  |
| <b>Depreciation</b>   |                                    |  |   |             |
| At 1 January 2002     | 2,088,018                          | 250,943                                | 9,612,973                                 | 11,951,934  |
| On disposals          | -                                  | (122,187)                              | (5,076,011)                               | (5,198,198) |
| Charge for the period | 370,940                            | 66,375                                 | 1,289,838                                 | 1,727,153   |
| Impairment            | -                                  | -                                      | 36,974                                    | 36,974      |
| At 27 April 2003      | 2,458,958                          | 195,131                                | 5,863,774                                 | 8,517,863   |
| <b>Net book value</b> |                                    |  |   |             |
| At 27 April 2003      | 11,410,507                         | 107,415                                | 2,372,262                                 | 13,890,184  |
| At 31 December 2001   | 11,711,269                         | 65,432                                 | 4,354,756                                 | 16,131,457  |

### 8 Stocks

|                                     | 2003<br>£ | 2001<br>£ |
|-------------------------------------|-----------|-----------|
| Finished goods and goods for resale | 2,195,752 | 5,209,380 |

# LILLYWHITES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 27 APRIL 2003

| 9 Debtors                      | 2003<br>£        | 2001<br>£        |
|--------------------------------|------------------|------------------|
| Trade debtors                  | 660,363          | 663,834          |
| Corporation tax                | 5,386            | -                |
| ACT recoverable                | 8,000            | -                |
| Other debtors                  | 363,550          | 340,555          |
| Prepayments and accrued income | 426,942          | 1,241,080        |
|                                | <u>1,456,241</u> | <u>2,245,469</u> |

### Deferred tax asset

|  |                    |
|--|--------------------|
| Balance at 1 January 2002                      | -                  |
| Deferred tax credit in profit and loss account | (3,178,000)        |
|  | <u>(3,178,000)</u> |
| Balance at 27 April 2003                       | <u>(3,178,000)</u> |

|   |                |
|---|----------------|
| Amounts falling due after more than one year and included in the deferred tax balance above is: | 900,000        |
|   | <u>900,000</u> |

| 10 Creditors: amounts falling due within one year         | 2003<br>£        | 2001<br>£        |
|---|------------------|------------------|
| Trade creditors   | 13,589           | 1,724,862        |
| Amounts owed to parent and fellow subsidiary undertakings | 3,970,001        | -                |
| Taxes and social security costs                           | 73,830           | 687,386          |
| Other creditors   | 284,030          | 2,200,000        |
| Accruals and deferred income                              | 572,920          | 1,249,581        |
|   | <u>4,914,370</u> | <u>5,861,829</u> |

# LILLYWHITES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 27 APRIL 2003

### 11 Provisions for liabilities and charges

|                           | Other<br>£     |
|---------------------------|----------------|
| Balance at 1 January 2002 | 1,593,354      |
| Profit and loss account   | (1,086,864)    |
| Balance at 27 April 2003  | <u>506,490</u> |

### 12 Pension costs

#### Defined contribution

|   | 2003<br>£     | 2001<br>£     |
|---|---------------|---------------|
| Contributions payable by the company for the period | <u>69,872</u> | <u>71,420</u> |

### 13 Share capital

|   | 2003<br>£         | 2001<br>£         |
|---|-------------------|-------------------|
| <b>Authorised</b>   |                   |                   |
| 447,720,000 ordinary shares (equity shares) of 10p each                 | 44,772,000        | 44,772,000        |
| 200,000 cumulative 6% preference shares (non-equity shares) of 50p each | 100,000           | 100,000           |
|   | <u>44,872,000</u> | <u>44,872,000</u> |
| <b>Allotted, called up and fully paid</b>                               |                   |                   |
| 447,389,950 ordinary shares (equity shares) of 10p each                 | 44,738,995        | 44,738,995        |
| 200,000 cumulative 6% preference shares (non-equity shares) of 50p each | 100,000           | 100,000           |
|   | <u>44,838,995</u> | <u>44,838,995</u> |

The preference shares have no voting rights and are not redeemable. They have priority over ordinary shares in the event of a winding up of the company.

The current and previous owners of the cumulative 6% preference shares have waived their rights to dividends, and the current holder has indicated that it is not its present intention to seek payment of future dividends.

# LILLYWHITES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 27 APRIL 2003

### 14 Statement of movements on profit and loss account

|                              | Profit and<br>loss<br>account<br>£ |
|------------------------------|------------------------------------|
| Balance at 1 January 2002    | (26,787,399)                       |
| Retained loss for the period | (144,893)                          |
| Balance at 27 April 2003     | <u>(26,932,292)</u>                |

### 15 Reconciliation of movements in shareholders' funds

|  | 2003<br>£         | 2001<br>£         |
|--|-------------------|-------------------|
| Loss for the financial period                      | (144,893)         | (6,464,855)       |
| Proceeds from issue of shares                      | -                 | 44,422,000        |
| Net (depletion in)/addition to shareholders' funds | (144,893)         | 37,957,145        |
| Opening shareholders' funds                        | 18,051,596        | (19,905,549)      |
| Closing shareholders' funds                        | <u>17,906,703</u> | <u>18,051,596</u> |

### 16 Financial commitments

At 27 April 2003 the company had annual commitments under non-cancellable operating leases as follows:

|                            | Land and buildings |                  | Other        |               |
|----------------------------|--------------------|------------------|--------------|---------------|
|                            | 2003               | 2001             | 2003         | 2001          |
|                            | £                  | £                | £            | £             |
| Expiry date:               |                    |                  |              |               |
| Within one year            | -                  | 162,055          | 2,628        | 57,205        |
| Between two and five years | -                  | -                | -            | 9,145         |
| In over five years         | 2,127,800          | 2,758,020        | -            | -             |
|                            | <u>2,127,800</u>   | <u>2,920,075</u> | <u>2,628</u> | <u>66,350</u> |

# LILLYWHITES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 27 APRIL 2003

| 17 Directors' emoluments                                | 2003<br>£      | 2001<br>£      |
|---|----------------|----------------|
| Emoluments for qualifying services                      | 99,789         | 398,921        |
| Company pension contributions to money purchase schemes | 17,500         | -              |
| Compensation for loss of office                         | 58,350         | -              |
|   | <u>175,639</u> | <u>398,921</u> |

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 0 (2001- 2).

### 18 Employees

#### Number of employees

The average monthly number of employees (including directors) during the period was:

|           | 2003<br>Number | 2001<br>Number |
|-----------|----------------|----------------|
| Full time | 139            | 244            |
| Part time | 108            | 264            |
|           | <u>247</u>     | <u>508</u>     |

#### Employment costs

|                       | £                | £                |
|-----------------------|------------------|------------------|
| Wages and salaries    | 5,535,973        | 5,131,630        |
| Social security costs | 342,662          | 347,599          |
| Other pension costs   | 69,872           | 71,420           |
|                       | <u>5,948,507</u> | <u>5,550,649</u> |

### 19 Control

The ultimate parent company is Sports World International Limited, a company incorporated in England and Wales, which holds 100% of the issued share capital of the company.

The directors regard M J W Ashley as the ultimate controlling party due to his 100% ownership of the share capital of the parent company.

Copies of the group accounts can be obtained from Sports World International Limited, Unit C Chiltern Park, Boscombe Road, Dunstable, Bedfordshire LU5 4LT.

# **LILLYWHITES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** ***FOR THE PERIOD ENDED 27 APRIL 2003***

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### **20 Related party transactions**

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.