

Cotton Oxford Limited

Directors' report and financial statements

31 December 1997

Registered number 295777



Cotton Oxford Limited

Directors' report and financial statements

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Cotton Oxford Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1997.

Principal activities

The principal activity of the company during the year was the distribution of sports footwear, clothing and equipment. Subsequent to the year end the share capital of the company was acquired by LWR Industries Limited.

Proposed dividend and transfer to reserves

The directors do not recommend the payment of a dividend.

The loss for the year retained in the company is £194,810.

Significant changes in fixed assets

The changes in fixed assets during the year are set out in notes 8 and 9 to the financial statements.

Directors and directors' interests

The directors who held office during the year were as follows:

M R Peacock
I D Powell
J Bartlett

On 13 January 1998 M R Peacock resigned and A C G Denton was appointed a director on 9 February 1998.

As recorded in the register of directors' share interests, the directors who held office at the end of the financial period had no beneficial interest in the shares of the company.

The directors with interests in the share capital of the ultimate holding company are disclosed in the financial statements of that company.

Cotton Oxford Limited

Directors' report

Statement of 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 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; and
- 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 maintaining 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

By order of the board



ID Powell
Director

Peaco House
Hyde
Cheshire

Cotton Oxford Limited

Auditors' report to the members of Cotton Oxford Limited

We have audited the financial statements on pages 4 to 14.

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.

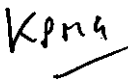
Basis of opinion

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 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 31 December 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG
Chartered Accountants
Registered Auditors

8 May 1998

Cotton Oxford Limited

Profit and loss account for the year ended 31 December 1997

	<i>Note</i>	1997 £	1996 £
Turnover		3,958,928	3,325,300
Cost of sales		(2,716,904)	(2,389,644)
Gross profit		1,242,024	935,656
Distribution costs		(703,056)	(387,131)
Administrative expenses		(625,961)	(380,448)
Operating (loss)/profit	<i>2-4</i>	(86,993)	168,077
Other operating income	<i>5</i>	-	108,956
Interest payable and similar charges	<i>6</i>	(107,817)	(114,264)
Loss/(profit) on ordinary activities before taxation		(194,810)	162,769
Tax on (loss) / profit on ordinary activities	<i>7</i>	-	-
Retained (loss)/profit for the financial year		(194,810)	162,769

There is no difference between the profit on ordinary activities before taxation for the financial year presented above and the historical cost equivalent.

The company has no recognised gains or losses in either the current or preceding year reported above and therefore no separate statements of total recognised gains and losses has been presented.

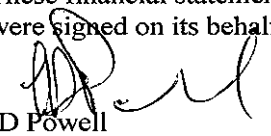
Cotton Oxford Limited

Balance sheet

at 31 December 1997

	Note	1997 £	£	1996 £	£
Fixed assets					
Intangible assets	8		-		4,478
Tangible assets	9		3,560		3,990
			<u>3,560</u>		<u>8,468</u>
Current assets					
Stocks	10	478,592		436,220	
Debtors	11	2,110,925		1,577,904	
Cash in hand		94,643		79,397	
		<u>2,684,160</u>		<u>2,093,521</u>	
Creditors: amounts falling due within one year	12	(2,585,118)		(1,804,577)	
Net current assets			<u>99,042</u>		<u>288,944</u>
Net assets			<u>102,602</u>		<u>297,412</u>
Capital and reserves					
Called up share capital	14	1,560,655		1,560,655	
Profit and loss account	15	(1,458,053)		(1,263,243)	
Shareholders' funds			<u>102,602</u>		<u>297,412</u>
Equity & non-equity shareholders' funds					
Equity shareholders' funds			(47,398)		147,412
Non-equity shareholders' funds			150,000		150,000
Shareholders' funds			<u>102,602</u>		<u>297,412</u>

These financial statements were approved by the board of directors on
were signed on its behalf by:


ID Powell
Director

8th May 1998

and

Cotton Oxford Limited

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules and on a going concern basis.

Cash flow statement

The company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Peaco Sport Limited and its cash flows are included within the consolidated cash flow statement of that company.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Fixtures, fittings, tools and equipment	-	4 to 10 years
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Patents and trademarks purchased by the company are amortised over their respective lives.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Cotton Oxford Limited

Notes (continued)

1 Accounting policies (continued)

Pension costs

The company makes a contribution to employees' personal pension schemes. The amount charged against profits represents the contributions payable to the schemes in respect of the accounting period.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of goods purchased for resale, the weighted average purchase price is used.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year.

2 (Loss)/profit on ordinary activities before taxation

	1997 £	1996 £
<i>(Loss)/profit on ordinary activities before taxation is stated:</i>		
<i>after charging</i>		
Auditors' remuneration	7,250	8,000
Depreciation and amortisation	1,048	1,829
Hire of plant and machinery - rentals payable under operating leases	15,779	17,088
Hire of other assets - operating assets	464	300
Management charge	191,978	-
	<hr/>	<hr/>

Of the total management charge of £191,978, £73,497 (1996: £Nil) has been recharged from Peaco Sport Limited and £118,481 (1996: £Nil) has been recharged from Peaco France SARL.

All turnover and profit before taxation arose from the principal activity.

Cotton Oxford Limited

Notes (continued)

2 (Loss)/profit on ordinary activities before taxation (continued)

Analysis of turnover by geographical area

	1997 £	1996 £
United Kingdom	2,251,329	1,861,799
Rest of the World	1,707,599	1,463,501
	<u>3,958,928</u>	<u>3,325,300</u>

3 Remuneration of directors

The directors received no emoluments in the year (1996: £Nil).

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	1997	1996
Management and administration	15	16

The aggregate payroll costs of these persons were as follows:

	1997 £	1996 £
Wages and salaries	234,499	243,820
Social security costs	22,551	24,001
Other pension costs (see note 18)	1,477	987
	<u>258,527</u>	<u>268,808</u>

Cotton Oxford Limited

Notes (continued)

5 Other operating income

	1997	1996
	£	£
Bank debt waiver	-	108,956

During 1996 the company's bankers agreed to waive part of the bank overdraft as part of a refinancing exercise. This has been included within other operating income net of expenses of £41,044 incurred in obtaining the waiver.

6 Interest payable and similar charges

	1997	1996
	£	£
On bank loans and overdrafts	24,094	68,737
Other interest	83,723	45,527
	<u>107,817</u>	<u>114,264</u>

7 Taxation

The tax charge in both the current and prior year is nil as a result of brought forward and current year losses.

8 Intangible assets

	Patents £
<i>Cost</i>	
At beginning of year	5,656
Transfer to group companies	(5,656)
	<u>-</u>
<i>Amortisation</i>	
At beginning of year	1,178
Transfer to group companies	(1,178)
	<u>-</u>
<i>Net book value</i>	
At 31 December 1997	<u>-</u>
At 31 December 1996	<u>4,478</u>

Cotton Oxford Limited

Notes (continued)

9 Tangible assets

	Fixtures, fittings tools and equipment £
Cost	
At beginning of year	110,738
Additions	618
Disposals	(35,940)
At end of year	<u>75,416</u>
Depreciation	
At beginning of year	106,748
Charge for year	1,048
Disposals	(35,940)
At end of year	<u>71,856</u>
Net book value	
At 31 December 1997	<u>3,560</u>
At 31 December 1996	<u>3,990</u>

10 Stocks

	1997 £	1996 £
Finished goods and goods for resale	<u>478,592</u>	<u>436,220</u>

Cotton Oxford Limited

Notes (continued)

11 Debtors

	1997 £	1996 £
Trade debtors	1,395,520	870,434
Amounts owed by fellow subsidiary undertakings	556,457	622,220
Other debtors	61,168	-
Prepayments and accrued income	97,780	85,250
	<u>2,110,925</u>	<u>1,577,904</u>

All debtors fall due within one year.

12 Creditors: amounts falling due within one year

	1997 £	1996 £
Bank overdraft	884,195	491,512
Trade creditors	572,273	488,077
Amounts owed to ultimate holding company	771,292	811,091
Amounts owed to fellow subsidiary undertakings	357,185	11,403
Taxation and social security	-	2,321
Accruals and deferred income	173	173
	<u>2,585,118</u>	<u>1,804,577</u>

The bank overdraft, of the company and its fellow subsidiaries is secured by fixed and floating charges over all the assets of the company.

Cotton Oxford Limited

Notes (continued)

13 Provisions for liabilities and charges

The amounts provided for deferred taxation and the amounts not provided for are set out below:

	1997		1996	
	Provided £	Unprovided £	Provided £	Unprovided £
Difference between accumulated depreciation and capital allowances	-	-	-	(1,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,000)</u>

14 Called up share capital

	1997 £	1996 £
<i>Authorised</i>		
Ordinary shares of £1 each (equity share capital)	2,000,000	2,000,000
Redeemable preference shares of £1 each (non equity share capital)	150,000	150,000
	<u>2,150,000</u>	<u>2,150,000</u>
<i>Called up and fully paid</i>		
Ordinary shares of £1 each	1,410,655	1,410,655
Redeemable preference shares of £1 each	150,000	150,000
	<u>1,560,655</u>	<u>1,560,655</u>

During 1996 a further £540,000 £1 ordinary shares in Cotton Oxford Limited were issued by way of capitalisation of the loan account with Peaco Sport Limited. In addition, £150,000 £1 redeemable preference shares were issued in favour of the company's bankers by way of capitalisation of part of the company's bank overdraft. The preference shares carry an 8% interest rate, payable quarterly over a 24 month period, with a total premium of £30,000 payable on redemption, (in certain circumstances). The preference shares do not have any voting rights.

Cotton Oxford Limited

Notes (continued)

15 Reserves

	Profit and loss £
At beginning of year	(1,263,243)
Loss for year	(194,810)
At end of year	<u>(1,458,053)</u>

16 Reconciliation of movement in shareholders' funds

	1997 £	1996 £
(Loss)/profit for the financial year	(194,810)	162,769
Share capital issued (see note 14)	-	690,000
Net (reduction)/addition to shareholders' funds	<u>(194,810)</u>	<u>852,769</u>
Opening shareholders' funds	297,412	(555,357)
Closing shareholders' funds	<u>102,602</u>	<u>297,412</u>

17 Contingent liabilities

The company has guaranteed the overdrafts of Total Rugby Limited a fellow subsidiary. The amount outstanding at the year end was £41 (1996: £Nil).

The company has guaranteed a trade finance facility held by the ultimate holding company. The amount outstanding at the year end was £Nil (1996: £74,507).

The company has guaranteed the amounts owed by Peaco France SARL, a fellow subsidiary, to Factofrance Heller. The amount outstanding at the year end was £Nil (1996: £49,009).

18 Pension scheme

The company makes a contribution to employees' personal pension schemes. The pension cost charge for the period represents contributions payable by the company to the fund and amounted to £1,477 (1996: £987). There were no outstanding contributions at the year end (1996: £Nil).

Cotton Oxford Limited

Notes *(continued)*

19 **Ultimate parent company**

The company is a subsidiary undertaking of Touchline Sports Limited, incorporated in England and registered in England and Wales.

The ultimate holding company is Peaco Sports Limited, a company incorporated in England and registered in England and Wales.

A copy of the financial statements of Peaco Sport Limited are available to the public and may be obtained from Companies House, Maindy, Cardiff.

20 **Post balance sheet events**

Subsequent to the year end the share capital of the company was acquired by LWR Industries Limited.