

# Canterbury Europe Limited

(Registered Number 00295777)

Directors' report and accounts

30 June 2005



# Canterbury Europe Limited

## *Directors report and accounts for the year ended 30 June 2005*

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## **Director's and advisors for the year ended 30 June 2005**

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### ***Directors***

Graham Francis Evans (resigned 29.9.2004)  
Anthony Hannon  
Joe Middleton

### ***Secretary***

Gordon Cameron

### ***Auditors***

PricewaterhouseCoopers LLP  
101 Barbirolli Square  
Lower Mosley Street  
Manchester  
M2 3PW

### ***Solicitors***

Hammond Suddards & Edge  
Trinity Court  
16 John Dalton Street  
Manchester  
M60 8HS

### ***Registered office***

First Floor  
Houldsworth Mill  
Houldsworth Street  
Reddish  
Stockport  
SK5 6DS

### ***Registered number***

00295777

## **Directors' report for the year ended 30 June 2005**

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The directors present their annual report and the audited accounts for the year ended 30 June 2005.

### ***Principal activity***

The principal activity of the company is marketing and distribution of sporting and leisure apparel, footwear and accessories.

### ***Review of business and future developments***

Business levels during the year were satisfactory. However, with growth initiatives firmly in place, the business is set to benefit strongly from expansion into both new product categories and new markets. The successful entrance into Europe will yield considerable growth and add invaluable support to the increased business infrastructure.

### ***Results and dividends***

The loss of £2,600,000 in the year (2004: loss of £812,000) was transferred to accumulated losses. The directors do not recommend the payment of a dividend (2004: £Nil).

### ***Directors and their interests***

The directors of the company at the date of this report are set out on page 1.

The directors who served during the year are as follows:

Joe Middleton  
Graham Francis Evans  
Anthony Hannon

Mr Evans resigned from office on 29 September 2004.

The interests of the directors in the shares of Canterbury Limited (the company's ultimate holding company) are disclosed in the accounts of that company.

Mr J Middleton holds 2,819,827 (2004: 0) growth shares of £0.0025 each in Canterbury Europe Limited and has no other interests in the company's shares.

No other director had any interest in the shares of the company or any other subsidiary of the ultimate parent company as at 30 June 2005.

### ***Statement of directors' responsibilities***

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 June 2005 and that applicable accounting standards have been followed.

## **Directors' report for the year ended 30 June 2005**

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The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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.

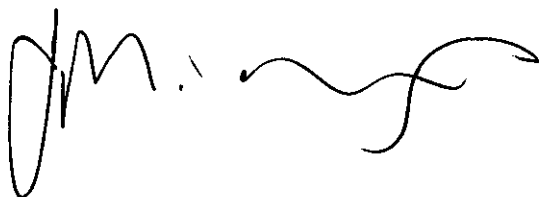
### ***Financing***

The Company is reliant on the ongoing financial support of its parent company Canterbury Limited which, as noted in the audit report of Canterbury Limited, which is unqualified, is itself currently considering a number of alternative options for raising additional funds (See Note 20). Canterbury Limited has indicated that this support will continue for a period beyond the next twelve months. Having given due consideration to the Group situation the directors are satisfied that the accounts should be prepared on a going concern basis.

### ***Auditors***

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the forthcoming Annual General Meeting.

**For and on behalf of the Board**

A handwritten signature in black ink, appearing to be 'Joe Middleton', written in a cursive style.

**Joe Middleton**  
**Director**  
16 December 2005

## Independent auditors' report to the members of Canterbury Europe Limited

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We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

### Basis of audit 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.

### Fundamental uncertainty

The Company is reliant on the ongoing financial support of the Group. In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements regarding the possible outcome of negotiations for ongoing finance being made available to the Group. The financial statements have been prepared on a going concern basis, the validity of which depends on the successful conclusion of the negotiations by the Group for the raising of additional funds. *The financial statements do not include any adjustments that would result from a failure to obtain this funding.* Details of the circumstances relating to this fundamental uncertainty are described in notes 1 and 20. Our opinion is not qualified in this respect.

### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 June 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers LLP**  
Chartered Accountants and Registered Auditors  
Manchester  
16 December 2005

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Canterbury Europe Limited

## Profit and Loss account for the year ended 30 June 2005

	Note	2005 £'000	200. £'000
<b>Turnover from continuing operations</b>	2	13,742	14,163
<b>Cost of sales</b>		(9,623)	(9,921)
<b>Gross profit</b>		4,119	4,242
Distribution costs		(1,077)	(783)
Administrative expenses		(5,650)	(4,271)
<b>Operating loss</b>	3	(2,608)	(812)
Net interest receivable and other income	6	8	-
<b>Loss on ordinary activities before taxation</b>		(2,600)	(812)
Taxation on loss on ordinary activities	7	-	-
<b>Loss for the financial year</b>	16	(2,600)	(812)
<b>Accumulated losses brought forward</b>	16	(9,579)	(8,767)
<b>Accumulated losses carried forward</b>	16	(12,179)	(9,579)

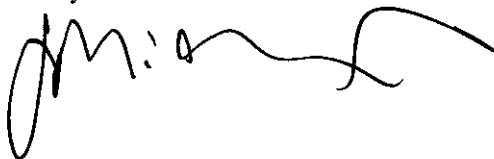
The company has no recognised gains or losses other than its loss for the financial year, and therefore no separate statement of total gains or losses has been produced.

There are no material differences between the loss on ordinary activities before taxation and the retained loss for the year stated above and their historical cost equivalents.

## Balance sheet as at 30 June 2005

	<i>Note</i>	<i>2005 £'000</i>	<i>2004 £'000</i>
<b><i>Fixed assets</i></b>			
Tangible assets	8	295	174
<b><i>Current assets</i></b>			
Stock	9	3,712	2,449
Debtors	10	2,949	1,839
Cash at bank and in hand		744	178
		<b>7,405</b>	<b>4,466</b>
<b><i>Debtors due after one year</i></b>	11	<b>912</b>	<b>-</b>
<b><i>Creditors: amounts falling due within one year</i></b>	12	<b>(7,892)</b>	<b>(1,960)</b>
<b><i>Net current (liabilities)/assets</i></b>		<b>(487)</b>	<b>2,506</b>
<b><i>Total assets less current liabilities</i></b>		<b>720</b>	<b>2,680</b>
<b><i>Creditors: amounts falling due after more than one year</i></b>	13	<b>(1,507)</b>	<b>(874)</b>
<b><i>Net (liabilities)/assets</i></b>		<b>(787)</b>	<b>1,806</b>
<b><i>Capital and Reserves</i></b>			
Called up share capital	15	11,392	11,385
Profit and loss account	16	(12,179)	(9,579)
<b><i>Equity shareholders' (deficit)/funds</i></b>	17	<b>(787)</b>	<b>1,806</b>

The financial statements on pages 5 to 15 were approved by the board of directors on 16 December 2005 and were signed on its behalf by:



**Joe Middleton**  
**Director**



## Notes to the accounts – 30 June 2005

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### **1 Accounting policies**

#### ***Basis of preparation***

The accounts have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom.

#### ***Going concern***

The Company is reliant on the ongoing financial support of its parent company Canterbury Limited which, as noted in the audit report of Canterbury Limited, which is unqualified, is itself currently considering a number of alternative options for raising additional funds (See Note 20). Canterbury Limited has indicated that this support will continue for a period beyond the next twelve months. Having given due consideration to the Group situation the directors are satisfied that the accounts should be prepared on a going concern basis.

#### ***Turnover***

Turnover represents amounts (excluding VAT) derived from the sale of the company's products to third party customers, net of returns, trade allowances, duties and taxes paid. Turnover is recognised on despatch.

#### ***Foreign exchange transactions***

Transactions denominated 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 converted into sterling at the rates ruling at the balance sheet date. Gains or losses on exchange arising from trading operations are taken into account in arriving at the operating profit.

#### ***Operating Leases***

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

#### ***Pension costs***

Pension costs represent contributions made by the company to the personal pension schemes of senior management employees. Contributions are recognised in the profit and loss account when they fall due.

#### ***Taxation***

Deferred tax is recognised on all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more, or a right to pay less, tax in future have occurred at the balance sheet date. Deferred tax assets are recognised only to the extent that, based on all available evidence, it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted by the balance sheet date.

#### ***Brands***

The company owns and distributes a large range of branded products. Although the business derives significant value from these brands it is not the policy of the company to value brands in the balance sheet.

## Notes to the Accounts – 30 June 2005 (continued)

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### *Fixed assets*

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated using rates which write down the historic cost of depreciable assets to their estimated residual values over their expected economic lives, on a straight line basis.

The principal economic lives are:

	Years
Short leasehold improvements	Lease term
Plant and machinery	3 – 12
Motor vehicles	6
Computer equipment	3
Fixtures and fittings	5 – 10

### *Stock*

Stock is valued at the lower of cost and net realisable value, on a weighted average basis. Due allowance has been made for slow moving, obsolete and damaged stock.

### *Debtors*

Debtors are valued at expected realisable value. Where a debt is considered on an individual basis to be irrecoverable, it has been written off. An estimate has been made for doubtful debts, based on a review of all outstanding amounts at the year end.

### *Cash flow statement*

The company is a wholly owned subsidiary of Canterbury International Limited, a company incorporated in New Zealand, whose accounts are publicly available.

The company has therefore taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996): Cash Flow Statements.

### *Related party transactions*

The company has taken advantage of the exemption under the terms of Financial Reporting Standard 8: Related Party Disclosures from disclosing transactions with its parent company and other group companies.

## Notes to the Accounts – 30 June 2005 (continued)

### 2 *Analysis of turnover and loss on ordinary activities before taxation*

The turnover and loss on ordinary activities before taxation relate to the company's principal activity.

Turnover arises as follows :

	2005 £'000	2004 £'000
United Kingdom	7,889	9,659
Rest of the world	5,853	4,504
	13,742	14,163

### 3 *Operating loss*

	2005 £'000	2004 £'000
<i>Operating loss is stated after charging :</i>		
Depreciation of tangible fixed assets		
- owned assets	87	96
Loss on disposal of fixed assets	2	-
Operating lease charges		
- plant and machinery	102	72
- other	36	28
Auditors' remuneration		
- audit services	18	15
- non-audit services	2	4

### 4 *Directors' emoluments*

	2005 £'000	2004 £'000
Aggregate Emoluments	344	-

During the year one (2004: none) director exercised options over £0.0025 growth shares of Canterbury Europe Limited.

#### *Highest paid director*

	2005 £'000	2004 £'000
Total amount of emoluments and amounts (excluding shares) receivable under long term incentive schemes	344	-

## Notes to the Accounts – 30 June 2005 (continued)

### 5 *Wages and salaries*

The average monthly number of persons (including directors) employed by the company during the period was 42 (2004: 29).

The aggregate payroll costs of these persons were as follows :

	2005 £'000	2004 £'000
Wages and salaries	1,659	899
Social security costs	206	93
Other pension costs	13	12
<i>Total staff costs</i>	<b>1,878</b>	<b>1,004</b>

### 6 *Interest payable and similar charges*

	2005 £'000	2004 £'000
Interest payable on other bank loans and overdrafts	15	2
Interest receivable	(23)	(2)
	<b>(8)</b>	<b>-</b>

### 7 *Tax on profit on ordinary activities*

	2005 £'000	2004 £'000
Tax on loss on ordinary activities	-	-

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%).

The differences are explained below:

	2005 £'000	2004 £'000
Loss on ordinary activities before tax	(2,600)	(812)
Loss on ordinary activities multiplied by standard rate in the UK 30% (2004: 30%)	(780)	(244)
Effects of:		
Unrelieved tax losses available to carry forward	762	221
Expenses not deductible for tax purposes	16	17
Depreciation in excess of capital allowances	(12)	-
Other timing differences	14	6
<i>Current tax charge for the year</i>	<b>-</b>	<b>-</b>

## Notes to the Accounts – 30 June 2005 (continued)

### 8 Tangible fixed assets

	<i>Fixtures, Fittings &amp; Equipment</i>
<b>Cost</b>	
At 1 July 2004	697
Additions	212
Disposals	(94)
<b>At 30 June 2005</b>	<b>815</b>
<b>Depreciation</b>	
At 1 July 2004	523
Charge for the period	87
Disposals	(90)
<b>At 30 June 2005</b>	<b>520</b>
<b>Net book value</b>	
<b>At 30 June 2005</b>	<b>295</b>
At 30 June 2004	174

### 9 Stock

	<i>2005 £'000</i>	<i>2004 £'000</i>
Finished goods and goods for resale	3,712	2,449
	<b>3,712</b>	<b>2,449</b>

### 10 Debtors

	<i>2005 £'000</i>	<i>2004 £'000</i>
Trade debtors	2,485	1,635
Amounts owed by group undertakings	-	14
Other debtors	298	50
Prepayments and accrued income	166	140
	<b>2,949</b>	<b>1,839</b>

## Notes to the Accounts – 30 June 2005 (continued)

### 11 Debtors due after one year

	2005 £'000	2004 £'000
Amounts due from group undertakings	912	-
	912	-

The loan to Canterbury International South Africa is unsecured, carries interest at 7.25% and becomes repayable through 16 quarterly instalments from 1 November 2006.

### 12 Creditors: amounts falling due within one year

	2005 £'000	2004 £'000
Bank Overdraft	3,800	-
Trade creditors	2,253	642
Amounts due to group undertakings	938	145
Taxation and social security	64	35
Accruals and deferred income	837	1,138
	7,892	1,960

The amount due under the bank overdraft is split between a sterling (£1,401,000) and US dollar (£2,399,000) overdraft. The sterling overdraft is secured under a fixed charge over the company's assets, carries interest at the UK base rate + 1.45% and is repayable on demand. The US dollar overdraft is secured under a letter of credit issued by a shareholder of the ultimate parent company, carries interest at the US base rate + 2% and is repayable on demand.

### 13 Creditors: Amounts falling due after one year

	2005 £'000	2004 £'000
Amounts due to group undertakings	1,507	874

The loan due to Canterbury International Limited is non-interest bearing, unsecured, and repayment is postponed for the next twelve months.

## Notes to the Accounts – 30 June 2005 (continued)

### 14 Provisions for liabilities and charges

	2005 £'000	2004 £'000
Accelerated capital allowances	(16)	(28)
Short term timing differences	(36)	(20)
Tax losses carried forward	(3,425)	(2,668)
Deferred tax asset (unrecognised)	(3,477)	(2,716)

A deferred tax asset has not been recognised in respect of these amounts since it is considered unlikely that the losses will be recovered within the foreseeable future.

### 15 Share capital

	2005 £'000	2004 £'000
<b>Authorised</b>		
20,000,000 ordinary shares of £1 each	20,000	20,000
2,819,827 growth shares of £0.0025 each	7	-
	<b>20,007</b>	<b>20,000</b>
<b>Allotted, called up and fully paid</b>		
11,385,000 ordinary shares of £1 each	11,385	11,385
2,819,827 growth shares of £0.0025 each	7	-
	<b>11,392</b>	<b>11,385</b>

On 1 November 2004, a special resolution was passed to increase the authorised share capital of Canterbury Europe Limited by £7,050 through the creation of 2,819,827 growth shares of £0.0025 each. During the year the growth shares were issued for cash. The nominal value of these shares was £7,050 and the consideration received was £7,050.

The Growth Shares carry the following principal rights:

- the growth shares are not entitled to participate in dividends, unless the rights under the Put Option have been exercised
- the growth shares are redeemable any time after 7 June 2011 the holder of the Growth Shares may Put their shares to the Ordinary Share holders in Canterbury Europe, subject to a cap in value of shares being Put of £300,000.
- the growth shares rank in advance of the ordinary shares in the event of a return of capital or liquidation, and entitle the growth shareholder to a return of their capital only. They do not participate in any surplus.
- the growth shares entitle the holder to attend and vote at any general meeting of the company. On a show of hands each Growth Shareholder shall have one vote, and on a poll:
  - on a vote in relation to the winding up on the company, one vote per share
  - on a vote in relation to the issue of shares, the Growth Shares are deemed to carry such number of votes as equals one more than the number of votes cast in favour of such resolution
  - in all other occasions, a Growth Shareholder shall have one vote for every four hundred Growth Shares held.

## Notes to the Accounts – 30 June 2005 (continued)

### 16 Reserves

	<i>Profit and loss account £'000</i>
<i>Accumulated losses</i>	
At 1 July 2004	(9,579)
Loss for the financial period	(2,600)
<i>At 30 June 2005</i>	<i>(12,179)</i>

### 17 Reconciliation of movements in shareholders' funds

	<i>2005 £'000</i>	<i>2004 £'000</i>
Loss for the period	(2,600)	(812)
Shares issued in the period	7	9,974
Net (decrease) / increase in shareholders' funds	(2,593)	9,162
Shareholders' funds/ (deficit) as at 1 July	1,806	(7,356)
<i>Shareholders' (deficit)/ funds as at 30 June</i>	<i>(787)</i>	<i>1,806</i>

### 18 Commitments

	<i>2005 £'000</i>	<i>2004 £'000</i>
<i>Contracts placed for future revenue related expenditure not provided in the financial statements</i>		
Sponsorship of rugby clubs	6,582	6,433
	6,582	6,433

At 30 June the company had annual commitments under non-cancellable operating leases expiring as follows:

	<i>Land and Buildings</i>		<i>Other</i>	
	<i>2005 £'000</i>	<i>2004 £'000</i>	<i>2005 £'000</i>	<i>2004 £'000</i>
Within one year	-	503	14	57
Within two to five years	105	240	68	13
	105	743	82	70



## Notes to the Accounts – 30 June 2005 (continued)

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### **19     *Immediate and ultimate holding company***

The immediate holding company is Canterbury International Limited, a company incorporated in New Zealand.

The ultimate holding company is Canterbury Limited, a company incorporated in New Zealand.

The largest set of accounts in which the results of the company are consolidated are those of Canterbury Limited. Copies of these accounts can be obtained from 5 Durham St, P.O. Box 279, Christchurch, New Zealand.

### **20     *Subsequent events and financing***

Subsequent to year end, the Group board has initiated a process of considering a number of alternative options for raising additional funds to support the ongoing growth of the business. These alternative options may take a number of forms, including raising additional equity as well as operational options within certain of the regional businesses. The principal shareholders have indicated a willingness to provide additional funding support for the business for the foreseeable future.