

David Geoffrey & Associates (UK) Limited

Accounts for the year ended 31 December 1999
together with directors' and auditors' reports

Registered number: 670530



Directors' report

For the year ended 31 December 1999

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year ended 31 December 1999.

Principal activity and review of business

The principal activity of the company is the supply of golf equipment, exclusively to on course golf professionals.

On 1 January 2000 the trade and assets of the business were transferred to the immediate holding company, Dunlop Slazenger International Limited, at net book value. Dunlop Slazenger International Limited is now responsible for the supply of golf equipment to on-course golf professionals.

Results and dividends

The audited accounts for the year ended 31 December 1999 are set out on pages 5 to 13. The company reported a loss for the year of £159,000 (1998 - £321,000).

The directors do not recommend the payment of a dividend, (1998 - £nil).

Directors and their interests

The directors who served during the year were:

P.J. Parnell

D.R. Branon

A.C. Lovell

No director had any interest in the shares of the company. During their period of office, P.J. Parnell and A.C. Lovell were also directors of Dunlop Slazenger Group Limited, the ultimate parent undertaking, and their interests in the shares of that company are disclosed in its accounts.

The interests of the other director who held office at 31 December 1999 in the shares of Dunlop Slazenger Group Limited were:

Name of director	Description of shares or loans	At 31 December 1999		At 31 December 1998	
		Number	£	Number	£
D.R. Branon	Ordinary shares of 10p	6,840		6,840	
	Deferred shares of 1p	684		684	
	Management loan stock		45,247		45,247

Directors' report (continued)

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 or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 accounts; and
- prepare the accounts 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 accounts 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.

Maxfli Court
Riverside Way
Camberley
Surrey
GU15 3YL

By order of the Board,



A.J. Ritchie

Secretary

31st January 2001

Auditors' report

To the Shareholder of David Geoffrey & Associates (UK) Limited:

We have audited the accounts on pages 5 to 13 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the company and are 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 accounts 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 accounts.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in the accounts concerning the outcome of the negotiations of the terms of the borrowing facilities of the ultimate parent undertaking, Dunlop Slazenger Group Limited and proposed restructuring of its balance sheet.

The accounts have been prepared on the going concern basis, the validity of which depends on continued funding being available from Dunlop Slazenger Group Limited to the parent undertaking, Dunlop Slazenger International Limited, which in turn provides funding to the company. This fundamental uncertainty is described in Note 1 a).

The accounts do not include any adjustments that would result from a failure of the ultimate parent undertaking in successfully completing negotiations for renewed borrowing facilities and completing the proposed balance sheet restructuring which in turn could prevent the parent undertaking from providing continued funding to the company. Our opinion is not qualified in this respect.

Auditors' report

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

1 Surrey Street
London
WC2R 2PS

31 January 2001

Profit and loss account

For the year ended 31 December 1999

	Notes	1999 £'000	1998 £'000
Turnover	2	1,355	1,343
Cost of sales		(870)	(742)
Gross profit		485	601
Distribution costs		(29)	(77)
Other operating expenses (net)	3	(615)	(845)
Loss on ordinary activities before interest and tax		(159)	(321)
Interest payable and similar charges		-	-
Loss on ordinary activities before taxation	6	(159)	(321)
Taxation on loss on ordinary activities		-	-
Loss for the financial year		(159)	(321)

The loss for the year was derived from discontinued operations. The original activity of the company is now continued by Dunlop Slazenger International Limited.

There were no recognised gains or losses in the year ended 31 December 1999 other than the loss for that financial year (1998 – £nil).

The accompanying notes are an integral part of this profit and loss account.

Balance sheet
31 December 1999

	Notes	1999 £'000	1998 £'000
Fixed assets			
Tangible assets	7	<u>6</u>	<u>12</u>
		6	12
Current assets			
Stocks	8	334	558
Debtors	9	217	566
Cash at bank and in hand		<u>267</u>	<u>-</u>
		818	1,124
Creditors: Amounts falling due within one year	10	<u>(1,734)</u>	<u>(1,883)</u>
Net current liabilities		(916)	(759)
Provisions for liabilities and charges	11	<u>(62)</u>	<u>(66)</u>
Net liabilities		<u>(972)</u>	<u>(813)</u>
Capital and reserves			
Called-up share capital	12	1	1
Profit and loss account	13	<u>(973)</u>	<u>(814)</u>
Equity shareholders' deficit	14	<u>(972)</u>	<u>(813)</u>

The accounts on pages 5 to 13 were approved by the directors on 31st January 2001 and signed on their behalf by:

Alan C Lovell

A.C. Lovell

Director

The accompanying notes are an integral part of this balance sheet.

Notes to accounts (continued)

1 Accounting policies

The principal accounting policies, all of which have been applied consistently throughout the year and the preceding year are summarised below:

a) Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The group has not complied with certain of the financial covenants which form part of its banking agreements, but has received the support of and obtained temporary waivers from its bankers. As a result of this current and projected non-compliance and the group's projected on-going borrowing requirements, the group is currently in negotiations with its bankers and other loan and equity providers with the objective of renegotiating borrowing facilities and restructuring the group's balance sheet. As part of this negotiation the directors expect to be able to agree new financial covenants and borrowing facilities which will enable the group to trade within the proposed available facilities for the foreseeable future, although during this period the group's projections indicate that the projected headroom against available facilities is relatively tight. Consequently the ultimate parent undertaking may not be able to provide funding to the parent company which in turn funds the company for the foreseeable future, being twelve months from the date of approval of these accounts.

As the directors are confident that the group's bankers will continue to waive any covenant or facility breaches until such time as the group completes the renegotiation of its borrowing facilities and balance sheet restructuring, they believe the parent company will be able to provide financial support to the company for the foreseeable future.

The directors have accordingly prepared the accounts on the going concern basis.

b) Stocks

Stocks are stated at the lower of cost and net realisable value. Provision is made for obsolete, slow-moving or defective items where appropriate.

c) Taxation

Corporation tax payable is provided on taxable profits at the current rate. Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced, except that the deferred tax effects of timing differences arising from pensions are always recognised in full.

d) Cash flow statement

The company has taken advantage of the exemption in Financial Reporting Standard No.1 (Revised) from the requirement to produce a cash flow statement because its ultimate parent undertaking, Dunlop Slazenger Group Limited prepares consolidated financial statements which are publicly available and contain a cash flow statement.

e) Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date

Notes to accounts (continued)

1. Accounting policies (continued)

are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

f) Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and provision for permanent diminution in value. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its expected useful life, as follows:

Plant and machinery 5 – 6 2/3 years (15%-20% per annum)

g) Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

h) Pension Costs

For defined benefit schemes the amount charged to the profit and loss account in respect of pension costs is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future payroll. Variations from regular cost are charged or credited to the profit and loss account as a constant percentage of payroll over the estimated average remaining working life of scheme members. Defined benefit schemes are externally funded, with the assets of the scheme held separately from those of the company in separate trustee administered funds.

2 Turnover

An analysis of turnover is as follows:

	1998 £'000	1998 £'000
United Kingdom	1,298	1,341
Europe	49	2
Rest of the world	8	-
	<hr/> 1,355	<hr/> 1,343
By origin:		
United Kingdom	<hr/> 1,355	<hr/> 1,343

Notes to accounts (continued)

3 Other operating expenses (net)

	1999 £'000	1998 £'000
Selling and marketing costs	361	424
Administrative expenses	330	443
Other operating income	(76)	(22)
	<u>615</u>	<u>845</u>

4 Staff costs

Particulars of employees and those whose costs were recharged by Dunlop Slazenger International Limited are as shown below:

	1999 £'000	1998 £'000
Wages and salaries	109	193
Social security costs	9	16
Pension costs (see note 16)	8	20
	<u>126</u>	<u>229</u>

The average monthly number of persons employed by the company during the year was as follows:

	1999 Number	1998 Number
Selling and marketing	3	7
Administration	<u>2</u>	<u>4</u>

5 Directors' remuneration

None of the directors received any emoluments in respect of their services to the company in either year.

6 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging/(crediting):

	1999 £'000	1998 £'000
Profit on disposal of tangible fixed assets	(8)	(2)
Foreign exchange gains	(11)	(11)
Auditors' remuneration – audit fees	2	2
Depreciation of owned fixed assets	6	13
Operating lease rentals – plant and machinery (see note 15)	<u>25</u>	<u>20</u>

Notes to accounts (continued)

7 Tangible fixed assets

	Plant and machinery £'000
Cost	
At beginning of year	78
Disposals	(28)
At end of year	<u>50</u>
Depreciation	
At beginning of year	66
Charge for the year	6
Disposals	(28)
At end of year	<u>44</u>
Net book value	
At beginning of year	<u>12</u>
At end of year	<u>6</u>

8 Stocks

	1999 £'000	1998 £'000
Finished goods and goods for resale	<u>334</u>	<u>558</u>

The current replacement cost of stock is £116,000 higher (1998 - £125,000) than the historical cost stated above.

9 Debtors

	1999 £'000	1998 £'000
Amounts falling due within one year:		
Trade accounts receivable	169	244
Amounts owed by ultimate parent undertaking	-	263
Amounts owed by fellow group undertaking	19	4
Prepayments and accrued income	26	55
Other debtors	3	-
	<u>217</u>	<u>566</u>

Notes to accounts (continued)

10 Creditors: Amounts falling due within one year

	1999 £'000	1998 £'000
Bank overdrafts	-	21
Trade creditors	45	299
Amounts owed to immediate parent undertaking	1,616	1,505
Accruals and deferred income	48	47
Other creditors	25	11
	<u>1,734</u>	<u>1,883</u>

The assets of the company are the subject of a series of fixed and floating charges and guarantees which have been issued as security largely for loans and overdrafts provided to the Dunlop Slazenger Group by its bankers.

11 Provisions for liabilities and charges

	£'000
At 1 January 1999	66
Provided	51
Released	(12)
Utilised	(43)
At 31 December 1999	<u>62</u>

12 Called-up share capital

	1999 £'000	1998 £'000
<i>Authorised</i>		
200 ordinary shares of £1 each	<u>1</u>	<u>1</u>
<i>Allotted, called-up and fully paid</i>		
200 ordinary shares of £1 each	<u>1</u>	<u>1</u>

Notes to accounts (continued)

13 Reserves

Reserves comprise the profit and loss account. The directors consider any credit balance on the profit and loss account to be distributable. The movement during the year is set out below.

	1999 £'000	1998 £'000
Beginning of year	(814)	(493)
Loss for the financial year	(159)	(321)
End of year	<u>(973)</u>	<u>(814)</u>

14 Reconciliation of movements in shareholders' deficit

	1999 £'000	1998 £'000
Loss for the financial year	(159)	(321)
Shareholders' deficit beginning of year	(813)	(492)
Shareholders' deficit end of year	<u>(972)</u>	<u>(813)</u>

15 Financial Commitments

Annual commitments for plant and machinery under non-cancellable operating leases are as follows:

Expiry date	1999 £'000	1998 £'000
Within one year	3	-
Between two and five years	<u>18</u>	<u>28</u>

At 31 December 1999, the company had £nil (1998 - £581,000) of forward contracts to buy/sell foreign currency.

Notes to accounts (continued)

16 Pension

Employees of David Geoffrey & Associates (UK) Limited are eligible for membership of the Dunlop Slazenger Pension Scheme, a defined benefit scheme with assets held in a separate trustee administered fund. Contributions to the scheme are assessed in accordance with the advice of a qualified actuary. The most recent actuarial valuation of the scheme was as at 6 April 1998. The principal assumptions used in the valuation were an average investment return of 8.75% per annum, pay inflation of 7% per annum and pension increases of 4.5% per annum. The market value of the assets of the scheme at the date of the actuarial valuation was £27m. The actuarial valuation of the scheme assets represented 104% of the actuarial value of its liabilities for benefits that had accrued to members, after allowing for expected future increases in earnings. The valuation has taken into account the impact of the loss of tax credits on UK equity dividends which was announced in the Budget of July 1997. The surplus of assets over liabilities has been spread as a variation over 12 years, being the members average future working lifetime.

The annual pension cost for the company was £8,000 (1998 - £20,000).

17 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard No. 8 "Related party disclosures" not to disclose transactions in the same group on the grounds that it is a wholly owned subsidiary undertaking of Dunlop Slazenger Group Limited.

18 Subsequent event

On 1 January 2000 the trade and assets of the business were transferred to the immediate holding company, Dunlop Slazenger International Limited, at net book value. The business of the company continued under the new ownership.

19 Ultimate parent undertaking

Dunlop Slazenger Group Limited, a company registered in England and Wales, was regarded as the ultimate parent undertaking. Copies of the accounts of Dunlop Slazenger Group Limited the parent undertaking of the only group preparing group accounts which included David Geoffrey & Associates (UK) Limited, can be obtained from Maxfli Court, Riverside Way, Camberley, Surrey GU15 3YL.