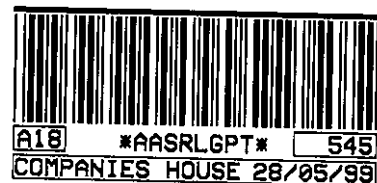


David Geoffrey & Associates (UK) Limited

Accounts for the year ended 31 December 1997  
together with directors' and auditors' reports

Registered number: 670530



## Directors' report

For the year ended 31 December 1997

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 1997.

### Principal activity and review of business

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

The company commenced trading on 1 August 1996. The business remains in a start up position but the directors are confident that the business will steadily increase the scale of operations over the forthcoming years.

### Results and dividends

The audited accounts for the year ended 31 December 1997 are set out on pages 5 to 13. The company reported a loss for the year of £353,000 (1996 - loss of £140,000).

The directors do not recommend the payment of a dividend, (1996 - £nil).

### Directors and their interests

The directors who served during the year were:

D.R. Branon

A.C. Lovell (appointed 19 September 1997)

D.M. Jacobs (resigned 5 March 1998)

G.M. Moodie (resigned 21 August 1997)

P.J. Parnell was appointed to the Board on 5 March 1998.

No director had any interest in the shares of the company. During their period of office D.M. Jacobs 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 1997 in the shares of Dunlop Slazenger Group Limited were:

Name of director	Description of shares or loans	At 31 December 1997		At 31 December 1996	
		Number	£	Number	£
D.R. Branon	Ordinary shares of 10p	6,840		6,840	
	Deferred shares of 1p	684		684	
	Management loan stock		46,970		44,733

## 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.

### Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

Kenmore Road  
Wakefield 41 Industrial Park  
Carr Gate  
Wakefield  
West Yorkshire  
WF2 0XB

By order of the Board,



A.C. Lovell  
Director

18 May 1999

## Auditors' report

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London

**To the Shareholders 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. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 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.

### **Fundamental uncertainty**

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the outcome of negotiations to restate the loan covenants of the parent undertaking, Dunlop Slazenger Group Limited.

The financial statements have been prepared on the going concern basis, the validity of which depends upon future funding being available to the company. The financial statements do not include any adjustments that would result from a failure to obtain such future funding. Details of the fundamental uncertainty are described in note 1a). Our opinion is not qualified in this respect.

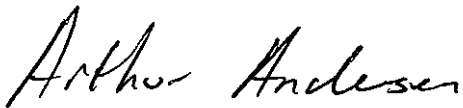
Auditors' report

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London

**Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the company 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.

A handwritten signature in cursive script that reads "Arthur Andersen".

**Arthur Andersen**  
**Chartered Accountants and Registered Auditors**

1 Surrey Street  
London  
WC2R 2PS

18 May 1999

## Profit and loss account

For the year ended 31 December 1997

	Notes	1997 £'000	1996 £'000
<b>Turnover</b>		1,426	-
Cost of sales		(876)	-
<b>Gross profit</b>		550	-
Distribution costs		(68)	-
Other operating expenses (net)	2	(833)	(140)
<b>Loss before interest and tax</b>		(351)	(140)
Interest payable and similar charges	5	(2)	-
<b>Loss on ordinary activities before taxation</b>	6	(353)	(140)
Taxation on loss on ordinary activities		-	-
<b>Loss on ordinary activities after taxation</b>		(353)	(140)
Dividends paid and proposed on equity shares		-	-
<b>Loss for the financial year transferred to reserves</b>		(353)	(140)

The loss for the year was derived from continuing operations.

There were no recognised gains or losses in the year ended 31 December 1997 other than the loss for that financial year (1996 - £nil).

There is no difference between the loss for the financial year disclosed above and the loss for that financial year determined on the historical cost basis.

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

# Balance sheet

31 December 1997

	Notes	1997 £'000	1996 £'000
<b>Fixed assets</b>			
Tangible assets	7	<u>37</u>	<u>-</u>
		37	-
<b>Current assets</b>			
Stocks	8	533	22
Debtors	9	295	30
Cash at bank and in hand		<u>129</u>	<u>-</u>
		957	52
<b>Creditors: Amounts falling due within one year</b>	10	<u>(1,396)</u>	<u>(191)</u>
Net current liabilities		(439)	(139)
Provisions for liabilities and charges	11	<u>(90)</u>	<u>-</u>
<b>Net liabilities</b>		<u>(492)</u>	<u>(139)</u>
<b>Capital and reserves</b>			
Called-up share capital	12	1	1
Profit and loss account	13	<u>(493)</u>	<u>(140)</u>
<b>Equity shareholders' deficit</b>	14	<u>(492)</u>	<u>(139)</u>

The accounts on pages 5 to 13 were approved by the directors on 18 May 1999 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

For the year ending 31 December 1997

### 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 are prepared under the historical cost convention and in accordance with applicable accounting standards.

The company is funded by a loan from its parent undertaking, Dunlop Slazenger International Limited. However, Dunlop Slazenger International Limited, is in turn funded by a loan from the ultimate parent undertaking, Dunlop Slazenger Group Limited, which is currently forecasting to breach certain of its banking covenants.

Dunlop Slazenger Group Limited is shortly to begin negotiations with its lenders in order to restate the levels at which these covenants are set. Consequently the parent undertaking may not be able to provide funding to Dunlop Slazenger International Limited for the foreseeable future, being 12 months from the date of approval of these accounts.

The accounts reflect net liabilities of £492,000 at 31 December 1997. Historically, a formal written agreement existed between the company and its parent undertaking, Dunlop Slazenger International Limited, whereby that company has agreed to provide such funding as is required to enable the company to meet its liabilities as they fall due for the foreseeable future being a period of at least twelve months from the date the accounts are approved. As a consequence of the negotiations referred to above, Dunlop Slazenger International Limited is not in a position to provide a letter of support for David Geoffrey & Associates (UK) Limited at present.

However, it is the opinion of the directors of Dunlop Slazenger Group Limited that renegotiations of the covenants levels will be successful and thus that the ultimate parent company will be able to provide financial support to Dunlop Slazenger International Limited in the future and in view of the foregoing matter the directors have prepared the accounts under the going concern basis.

#### *b) Stocks*

Stocks are stated at the lower of cost and net realisable value. Cost includes material, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. 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.



## Notes to accounts (continued)

### 1 Accounting policies (continued)

#### d) Cash flow statement

The company is exempt from the requirement of FRS1 (Revised) to include a cash flow statement as part of its accounts because its ultimate parent undertaking has prepared consolidated financial statements which contain a cash flow statement, in which the results of the company are incorporated.

#### 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 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 Other operating expenses (net)

	1997 £'000	1996 £'000
Selling and marketing costs	487	26
Administrative expenses	346	114
	<hr/> 833	<hr/> 140

## Notes to accounts (continued)

### 3 Staff costs

Particulars of employees (including executive directors) and those whose costs were recharged by Dunlop Slazenger International Limited are as shown below:

	1997 £'000	1996 £'000
Wages and salaries	253	55
Social security costs	21	5
Pension costs	26	7
	<u>300</u>	<u>67</u>

The average weekly number of persons employed by the company during the period was as follows:

	1997 Number	1996 Number
Selling and marketing	5	3
Administration	<u>6</u>	<u>3</u>

### 4 Directors' remuneration

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

### 5 Interest payable and similar charges

	1997 £'000	1996 £'000
Bank loans and overdrafts	<u>2</u>	<u>-</u>

### 6 Loss on ordinary activities before taxation

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

	1997 £'000	1996 £'000
Foreign exchange gains	(49)	-
Auditors remuneration - audit fees	7	-
Depreciation of owned fixed assets	11	-
Operating lease rentals - plant and machinery	<u>16</u>	<u>-</u>

## Notes to accounts (continued)

### 7 Tangible fixed assets

	Plant and machinery £'000
Cost	
At beginning of year	-
Transfer from immediate parent undertaking	168
At end of year	<u>168</u>
Depreciation	
At beginning of year	-
Transfer from immediate parent undertaking	120
Charge for the year	11
At end of year	<u>131</u>
Net book value	
At beginning of year	-
At end of year	<u>37</u>

### 8 Stocks

	1997 £'000	1996 £'000
Finished goods and goods for resale	<u>533</u>	<u>22</u>

### 9 Debtors

	1997 £'000	1996 £'000
Amounts falling due within one year:		
Trade accounts receivable	231	-
Amounts owed by fellow group undertaking	3	1
Prepayments and accrued income	61	29
	<u>295</u>	<u>30</u>

## Notes to accounts (continued)

### 10 Creditors: Amounts falling due within one year

	1997 £'000	1996 £'000
Bank overdrafts	23	-
Trade creditors	217	-
Amounts owed to immediate parent undertaking	1,043	191
Amounts owed to fellow group undertaking	12	-
Accruals and deferred income	101	-
	<u>1,396</u>	<u>191</u>

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

### 11 Provisions for liabilities and charges

	£'000
At 1 January 1997	-
Provided	90
Released	-
At 31 December 1997	<u>90</u>

### 12 Called-up share capital

	1997 £'000	1996 £'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 which may not be distributed. The movement during the year is set out below.

	1997 £'000	1996 £'000
Beginning of year	(140)	-
Loss for the financial year	<u>(353)</u>	<u>(140)</u>
End of year	<u>(493)</u>	<u>(140)</u>

### 14 Reconciliation of movements in shareholders' deficit

	1997 £'000	1996 £'000
Loss for the financial year	(353)	(140)
Shareholders' (deficit) funds - beginning of year	<u>(139)</u>	<u>1</u>
Shareholders' deficit - end of year	<u>(492)</u>	<u>(139)</u>

### 15 Financial Commitments

Annual commitments under non-cancellable operating leases are as follows:

	1997		1996	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Between one and five years	<u>-</u>	<u>16</u>	<u>-</u>	<u>-</u>

At 31 December 1997, the company had £848,000 (1996 - £nil) 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 impact of the surplus of assets over liabilities will be reflected in the financial statements for the year ended 31 December 1998.

The annual pension cost for the company was £26,000 (1996 - £7,000).

### 17 Related party transactions

The company is exempt from the requirements of FRS8 as it is 100 per cent controlled by Dunlop Slazenger Group Limited whose financial statements consolidate the result of this subsidiary and are publicly available.

### 18 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.