

**Outdoor & Sports Company Limited**

Financial statements

For the 16 months from 1 January 2003 to  
30 April 2004Grant Thornton 

Company No. 988970

## Company information

<b>Company registration number</b>	988970
<b>Registered office</b>	163 Parker Drive Leicester Leicestershire LE4 0JP
<b>Directors</b>	S J Cann B J Berryman
<b>Secretary</b>	A Khakar
<b>Auditors</b>	Grant Thornton UK LLP Chartered Accountants Registered Auditors 8 West Walk Leicester LE1 7NH

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## Report of the directors

The directors present their report and the financial statements of the company for the 16 months from 1 January 2003 to 30 April 2004.

### **Principal activities and business review**

The principal activity of the company during the year was the merchanting of sports and outdoor clothing.

The company has changed its accounting period from 31 December to 30 April. The profit and loss for the current period is for the 16 months to 30 April 2004 (2002: 12 months to 31 December 2002).

### **Results and dividends**

The trading results for the 16 months, and the company's financial position at the end of the 16 months are shown in the attached financial statements.

The directors have not recommended a dividend.

### **Directors**

The directors who served the company during the 16 months were as follows:

S Forte	(Retired 4 August 2004)
A C G Denton	(Retired 4 August 2004)
S J Cann	(Appointed 16 May 2003)
B J Berryman	(Appointed 16 May 2003)
I D Powell	(Retired 16 May 2003)

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

**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 at the end of the 16 months and of the profit or loss for the 16 months then ended. 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
- 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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Auditors**

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985. On 1 July 2004, the Grant Thornton partnership converted to a limited liability partnership called Grant Thornton UK LLP. Under section 26(5) of the Companies Act 1989, the directors consented to extend the audit appointment to Grant Thornton UK LLP from 1 July 2004.

BY ORDER OF THE BOARD



A Khakar  
Secretary  
14 October 2004

## Report of the independent auditors to the members of Outdoor & Sports Company Limited

We have audited the financial statements of Outdoor & Sports Company Limited for the 16 months from 1 January 2003 to 30 April 2004 which comprise the principal accounting policies, profit and loss account, balance sheet and notes 1 to 22. These financial statements have been prepared under 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 auditors' 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 directors and auditors**

The directors' responsibilities for preparing the report of the directors and the financial statements in accordance with 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.

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 other information contained in the Directors' Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any *apparent misstatements or material inconsistencies with the financial statements*. Our responsibilities do not extend to any other information.

### **Basis of 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 affairs of the company as at 30 April 2004 and of its profit for the 16 months then ended, and have been properly prepared in accordance with the Companies Act 1985.

GRANT THORNTON UK LLP  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS

*Grant Thornton UK LLP*

LEICESTER  
18 October 2004

## Principal accounting policies

### **Basis of accounting**

The financial statements have been prepared under the historical cost convention.

### **Cash flow statement**

The company is exempt from the requirement to prepare a cash flow statement on the grounds that the ultimate parent undertaking includes the company in its own published consolidated financial statements.

### **Turnover**

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

### **Amortisation**

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Patents and trademarks purchased by the company are amortised over their respective useful lives of 16 years.

### **Fixed assets**

All fixed assets are initially recorded at cost.

### **Depreciation**

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold Property	- 2% straight line
Fixtures & Fittings	- 15% reducing balance
Computers	- 33% straight line
Motor Vehicles	- 25% reducing balance

### **Stocks**

Goods for resale are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes transport and handling costs. Where necessary, provision is made for obsolete, slow moving and defective stocks.



### **Operating lease agreements**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

### **Pension costs**

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

### **Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

Deferred tax assets are recognised only to the extent that the directors consider that it is 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 an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

### **Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

## Profit and loss account

	Note	30 Apr 04 £	Year to 31 Dec 02 £
Turnover	1	11,282,501	8,112,231
Cost of sales		7,743,061	5,347,665
Gross profit		3,539,440	2,764,566
Other operating charges	2	3,374,824	2,845,001
Other operating income	2	(78,690)	(220,984)
Operating profit	3	243,306	140,549
Interest receivable		3,038	2,884
Interest payable	6	(143,015)	(155,445)
Profit/(loss) on ordinary activities before taxation		103,329	(12,012)
Tax on profit/(loss) on ordinary activities	7	(120,214)	(63,615)
Retained profit for the 16 months		223,543	51,603


All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the 16 months as set out above.

## Balance sheet

	Note	30 Apr 04 £	31 Dec 02 £
<b>Fixed assets</b>			
Intangible assets	8	10,838	12,586
Tangible assets	9	314,455	305,693
Investments	10	—	—
		<u>325,293</u>	<u>318,279</u>
<b>Current assets</b>			
Stocks	11	1,519,512	1,604,121
Debtors	12	1,656,541	1,458,778
Cash at bank		111,169	110,312
		<u>3,287,222</u>	<u>3,173,211</u>
Creditors: amounts falling due within one year	13	2,931,383	3,019,449
<b>Net current assets</b>		<u>355,839</u>	<u>153,762</u>
<b>Total assets less current liabilities</b>		<u>681,132</u>	<u>472,041</u>
Creditors: amounts falling due after more than one year	14	—	14,452
		<u>681,132</u>	<u>457,589</u>
<b>Capital and reserves</b>			
Called-up equity share capital	19	1,400,000	1,400,000
Profit and loss account	20	(718,868)	(942,411)
<b>Shareholders' funds</b>	21	<u>681,132</u>	<u>457,589</u>

These financial statements were approved by the directors on 14 October 2004 and are signed on their behalf by:

  
S J Cann

## Notes to the financial statements

### 1 Turnover

The turnover and profit before tax are attributable to the one principal activity of the company.  
An analysis of turnover is given below:

	30 Apr 04	Year to 31 Dec 02
	£	£
United Kingdom	9,721,910	7,038,892
Overseas	1,560,591	1,073,339
	<u>11,282,501</u>	<u>8,112,231</u>

### 2 Other operating income and charges

	30 Apr 04	Year to 31 Dec 02
	£	£
Administrative expenses	3,374,824	2,845,001
Other operating income	(78,690)	(220,984)
	<u>3,296,134</u>	<u>2,624,017</u>

Other operating income includes management charges receivable of £20,000 (2002: £185,852).

### **3 Operating profit**

Operating profit is stated after charging:

	30 Apr 04	Year to 31 Dec 02
	£	£
Amortisation	1,748	1,311
Depreciation of owned fixed assets	35,795	28,529
Auditors' remuneration:		
Audit fees	7,000	7,500
Operating lease costs:		
Land and buildings	35,124	19,176
Plant and equipment	25,568	34,029
	<u>          </u>	<u>          </u>

### **4 Directors and employees**

The average number of staff employed by the company during the 16 months amounted to 44 (2002: 45).

The aggregate payroll costs of the above were:

	30 Apr 04	Year to 31 Dec 02
	£	£
Wages and salaries	1,168,054	828,764
Social security costs	113,221	76,742
Other pension costs	461	12,367
	<u>1,281,736</u>	<u>917,873</u>

**5 Directors**

Remuneration in respect of directors was as follows:

	30 Apr 04	Year to 31 Dec 02
	£	£
Emoluments receivable	203,655	192,639
Value of company pension contributions to money purchase schemes	—	11,623
	<u>203,655</u>	<u>204,262</u>

Emoluments of highest paid director:

	30 Apr 04	Year to 31 Dec 02
	£	£
Total emoluments (excluding pension contributions)	<u>101,097</u>	<u>84,245</u>

**6 Interest payable and similar charges**

	30 Apr 04	Year to 31 Dec 02
	£	£
Interest payable on bank borrowing	<u>143,015</u>	<u>155,445</u>

**7 Taxation on ordinary activities**

(a) Analysis of charge in the 16 months

	30 Apr 04	Year to 31 Dec 02
	£	£
Current tax:		
UK Corporation tax based on the results for the 16 months at 30% (2002 - 30%)	2,600	—
Over/under provision in prior year	—	4,185
	<u>2,600</u>	<u>4,185</u>
Group relief	5,586	—
Total current tax	<u>8,186</u>	<u>4,185</u>
Deferred tax:		
Increase in deferred tax asset	(128,400)	(67,800)
Tax on profit/(loss) on ordinary activities	<u>(120,214)</u>	<u>(63,615)</u>

**7 Taxation on ordinary activities (continued)**

(b) Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the 16 months is lower than the standard rate of corporation tax in the UK of 30% (2002 - 30%).

	30 Apr 04	Year to 31 Dec 02
	£	£
Profit/(loss) on ordinary activities before taxation	<u>103,329</u>	<u>(12,012)</u>
Profit/(loss) on ordinary activities by rate of tax	30,999	(3,604)
Expenses not deductible for tax purposes	53,367	1,658
Capital allowances for period in excess of depreciation	7,275	(1,265)
Utilisation of tax losses	(83,455)	—
Adjustments to tax charge in respect of previous periods	—	4,185
Increase in tax losses	—	3,299
Short term timing differences	—	(88)
Total current tax (note 8(a))	<u>8,186</u>	<u>4,185</u>

**8 Intangible fixed assets**

	Patents £
Cost	
At 1 January 2003 and 30 April 2004	<u>20,981</u>
Amortisation	
At 1 January 2003	8,395
Charge for the 16 months	1,748
At 30 April 2004	<u>10,143</u>
Net book value	
At 30 April 2004	<u>10,838</u>
At 31 December 2002	<u>12,586</u>

**9 Tangible fixed assets**

	Freehold Property £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost				
At 1 January 2003	325,613	542,805	—	868,418
Additions	—	43,828	7,000	50,828
Disposals	—	—	(7,000)	(7,000)
At 30 April 2004	<u>325,613</u>	<u>586,633</u>	<u>—</u>	<u>912,246</u>
Depreciation				
At 1 January 2003	89,800	472,925	—	562,725
Charge for the 16 months	8,683	26,383	729	35,795
On disposals	—	—	(729)	(729)
At 30 April 2004	<u>98,483</u>	<u>499,308</u>	<u>—</u>	<u>597,791</u>
Net book value				
At 30 April 2004	<u>227,130</u>	<u>87,325</u>	<u>—</u>	<u>314,455</u>
At 31 December 2002	<u>235,813</u>	<u>69,880</u>	<u>—</u>	<u>305,693</u>

**10 Investments**

**Shares in group undertakings**

	£
Cost	
At 1 January 2003 and 30 April 2004	<u>636</u>
Amounts written off	
At 1 January 2003 and 30 April 2004	<u>636</u>
Net book value	
At 30 April 2004	<u>—</u>

Peaco (1924) Limited was a 100% owned subsidiary at 30 April 2004. This company is registered in England and Wales and is dormant.

**11 Stocks**

	30 Apr 04 £	31 Dec 02 £
Raw materials	260,613	106,462
Finished goods	1,258,899	1,497,659
	<u>1,519,512</u>	<u>1,604,121</u>



**12 Debtors**

	30 Apr 04	31 Dec 02
	£	£
Trade debtors	1,279,391	1,290,246
Amounts owed by group undertakings	84,544	—
Prepayments and accrued income	75,606	79,932
Deferred taxation (note 15)	217,000	88,600
	<u>1,656,541</u>	<u>1,458,778</u>

**13 Creditors: amounts falling due within one year**

	30 Apr 04	31 Dec 02
	£	£
Bank loans and overdrafts	1,338,537	1,021,603
Trade creditors	1,074,722	1,450,205
Amounts owed to group undertakings	100,532	159,006
Corporation tax	2,600	—
Other taxation and social security	125,608	219,071
Other creditors	120,000	—
Accruals and deferred income	169,384	169,564
	<u>2,931,383</u>	<u>3,019,449</u>

**14 Creditors: amounts falling due after more than one year**

	30 Apr 04	31 Dec 02
	£	£
Bank loans and overdrafts	—	14,452

The bank overdraft is secured by a fixed and floating charge over the assets of the company.

**15 Deferred taxation**

	30 Apr 04	Year to 31 Dec 02
	£	£
The movement in the deferred taxation account during the 16 months was:		
Balance brought forward	(88,600)	(20,800)
Profit and loss account movement arising during the 16 months	(128,400)	(67,800)
Balance carried forward	<u>(217,000)</u>	<u>(88,600)</u>

# 15 Deferred taxation (continued)

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	30 Apr 04		31 Dec 02	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Excess of taxation allowances over depreciation on fixed assets	9,500	—	—	(1,152)
Tax losses available	143,100	21,900	88,600	64,459
Other timing differences	64,400	—	—	12,184
	<u>217,000</u>	<u>21,900</u>	<u>88,600</u>	<u>75,491</u>

# 16 Leasing commitments

At 30 April 2004 the company had annual commitments under non-cancellable operating leases as set out below.

	30 Apr 04		31 Dec 02	
	Land & Buildings	Other Items	Land & Buildings	Other Items
	£	£	£	£
Operating leases which expire:				
Within 1 year	7,676	2,935	7,676	8,742
Within 2 to 5 years	—	39,044	—	21,155
After more than 5 years	11,500	—	11,500	—
	<u>19,176</u>	<u>41,979</u>	<u>19,176</u>	<u>29,897</u>

# 17 Contingent assets/liabilities

The company has liabilities forward under a licencing contract, in the form of minimum guaranteed royalties paid annually to the year 2013. Total liabilities for this period under the contract are £4,280,000.

# 18 Related party transactions

As the company is a wholly owned subsidiary of Swiss Cutlery (UK) Limited, the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of the group.

At 30 April 2004, A C G Denton and I D Powell (both directors of the company during the year), were owed a total of £120,000 by the company. Interest of £nil on the outstanding balance has been charged.

**19 Share capital**

Authorised share capital:

	30 Apr 04	31 Dec 02
	£	£
2,000,000 Ordinary shares of £1 each	<u>2,000,000</u>	<u>2,000,000</u>

Allotted, called up and fully paid:

	30 Apr 04		31 Dec 02	
	No	£	No	£
Ordinary shares of £1 each	<u>1,400,000</u>	<u>1,400,000</u>	<u>1,400,000</u>	<u>1,400,000</u>

**20 Profit and loss account**

	30 Apr 04	Year to 31 Dec 02
	£	£
Balance brought forward	(942,411)	(994,014)
Retained profit for the financial 16 months	<u>223,543</u>	<u>51,603</u>
Balance carried forward	<u>(718,868)</u>	<u>(942,411)</u>

**21 Reconciliation of movements in shareholders' funds**

	30 Apr 04	31 Dec 02
	£	£
Profit for the financial 16 months	223,543	51,603
Opening shareholders' equity funds	<u>457,589</u>	<u>405,986</u>
Closing shareholders' equity funds	<u>681,132</u>	<u>457,589</u>

**22 Ultimate parent company**

The directors consider that the ultimate parent undertaking of this company is its ultimate parent company, Swiss Cutlery (UK) Limited. Copies of the ultimate parent company's financial statements are available from the company secretary, Swiss Cutlery (UK) Limited, Victorinox House, 163 Parker Drive, Leicester, LE4 0JP.

The directors regard B J Berryman, K Woodford and M Andrews as the ultimate controlling parties by virtue of their status as controlling trustees of a trust which holds a 95% interest in the equity capital of Swiss Cutlery (UK) Limited.