

Ronhill Sports Limited

Directors' report and financial statements

31 December 1996

Registered number 988970

Ronhill Sports Limited

Directors' report and financial statements

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Ronhill Sports Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1996.

Principal activities

The principal activities of the company continued to be the merchanting of sports and outdoor clothing.

Business review

The trading results for the year are set out on page 4.

Proposed dividend and transfer to reserves

The directors do not recommend the payment of a dividend.

The profit for the year retained in the company is £260,104.

Significant changes in fixed assets

Significant changes in fixed assets can be found in notes 8 and 9 to the financial statements.

Directors and directors' interests

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

J Bartlett
M R Peacock
I D Powell
G Richards

As recorded in the register of directors' share interests, the directors who held office at the end of the year 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.

Ronhill Sports 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:

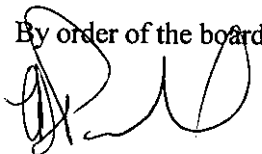
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare 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.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



I D Powell
Director

Peaco House
Hyde
Cheshire



St James' Square
Manchester M2 6DS

Auditors' report to the members of Ronhill Sports Limited

We have audited the financial statements on pages 4 to 16.

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 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

Chartered Accountants
Registered Auditors

17 April 1997



Ronhill Sports Limited

Profit and loss account

for the year ended 31 December 1996

	Note	1996 £	1995 £
Turnover			
Continuing operations		7,974,120	5,680,344
Acquisitions		-	1,315,704
Cost of sales	2	7,974,120 (5,454,007)	6,996,048 (4,886,472)
Gross profit		2,520,113	2,109,576
Distribution costs		(902,599)	(815,922)
Administrative expenses	3	(1,184,682)	(1,257,224)
Operating profit			
Continuing operations		432,832	194,430
Acquisitions		-	(158,000)
Interest payable and similar charges	6	432,832 (172,728)	36,430 (127,658)
Profit/(loss) on ordinary activities before taxation	2-6	260,104	(91,228)
Taxation	7	-	-
Retained profit/(loss) for the financial year		260,104	(91,228)

There is no difference between the profit/(loss) 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 statement of total recognised gains and losses has been presented.

Ronhill Sports Limited

Balance sheet at 31 December 1996

	Note	1996 £	£	1995 £	£
Fixed assets					
Intangible assets	8	10,181		8,369	
Tangible assets	9	443,652		486,639	
Investments	10	4		4	
		<u>453,837</u>		<u>495,012</u>	
Current assets					
Stocks	11	1,537,924		1,524,903	
Debtors	12	2,223,826		2,238,158	
Cash at bank and in hand		48,256		317	
		<u>3,810,006</u>		<u>3,763,378</u>	
Creditors: amounts falling due within one year	13	(2,682,433)		(2,885,644)	
Net current assets		<u>1,127,573</u>		<u>877,734</u>	
Total assets less current liabilities		<u>1,581,410</u>		<u>1,372,746</u>	
Creditors: amounts falling due after more than one year	14	(321,601)		(373,041)	
Net assets		<u>1,259,809</u>		<u>999,705</u>	
Capital and reserves					
Called up share capital	15	1,400,000		1,400,000	
Profit and loss account	16	(140,191)		(400,295)	
Equity shareholders' funds		<u>1,259,809</u>		<u>999,705</u>	

These financial statements were approved by the board of directors on 11/4/97 and were signed on its behalf by:

I D Powell
Director

Ronhill Sports 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 under the historical cost accounting rules, and on a going concern basis.

Cash flow statement

The company is exempt from the requirements 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.

Related party transactions

The directors have taken advantage of the exemption in FRS 8 paragraph 3(c), and have not disclosed related party transactions with parent and subsidiary undertakings.

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:

Freehold buildings	-	2% straight line
Motor vehicles	-	25% reducing balance
Fixtures, fittings, tools and equipment	-	15% reducing balance

No depreciation is provided on freehold land.

Patents and trademarks purchased by the company are amortised over their respective lives.

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.

Ronhill Sports 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 scheme in respect of the accounting period.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials and 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 Analysis of turnover by geographical area is as follows

	1996 £	1995 £
United Kingdom	6,951,266	6,092,198
Rest of the World	1,022,854	903,850
	<u>7,974,120</u>	<u>6,996,048</u>

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

Ronhill Sports Limited

Notes (continued)

3 Profit/(loss) on ordinary activities before taxation

	1996 £	1995 £
<i>Profit/(loss) on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration	8,720	12,739
Depreciation and amortisation	43,796	49,757
Hire of plant and machinery - rentals payable under operating leases	72,747	84,838
Hire of other assets - operating leases	18,812	18,175
Exceptional items - reorganisation costs	-	70,000
<i>after crediting</i>		
Profit on sale of fixed assets	1,352	3,458
Rents receivable	11,333	10,500
Management recharge	63,000	195,000
	<hr/>	<hr/>

The costs associated with restructuring made by the group in 1995 were charged to the holding company, Peaco Sport Limited. Ongoing recharges relate to senior management salaries. Consequently Ronhill Sports Limited has recharged costs of £63,000(1995: £195,000). These costs are included within the total holding company costs of £89,194(1995:£265,324).

Ronhill Sports Limited

Notes (continued)

4 Remuneration of directors

	1996	1995
	£	£
Directors' emoluments:		
Remuneration as executives	182,683	230,581

The emoluments, excluding pension costs of the Chairman were £42,695 (1995: £74,833) and those of the highest paid director were £51,798 (1995: £74,833).

The emoluments, excluding pension contributions of the directors (excluding the Chairman and highest paid director) were within the following ranges:

	Number of directors	
	1996	1995
£20,001 - £25,000	-	1
£25,001 - £30,000	1	1
£45,001 - £50,000	2	1
£50,001 - £55,000	1	1
£70,001 - £75,000	-	1

5 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	
	1996	1995
Administration and sales	48	60
Manufacturing	2	27
	50	87

The aggregate payroll costs of these persons were as follows:

	1996	1995
	£	£
Wages and salaries	738,355	1,046,673
Social security costs	72,679	94,486
Pension costs (see note 20)	1,837	4,426
	812,871	1,145,585

Ronhill Sports Limited

Notes (continued)

6 Interest payable and similar charges

	1996	1995
	£	£
On bank loans and overdrafts	103,405	103,621
Finance charges payable in respect of finance leases and hire purchase contracts	-	1,048
Other interest	69,323	22,989
	<u>172,728</u>	<u>127,658</u>

7 Taxation

There is no tax charge in either the current year or the prior year due to the availability of losses.

8 Intangible assets

	Patents £
Cost	
At beginning of year	9,397
Additions	2,555
At end of year	<u>11,952</u>
Amortisation	
At beginning of year	1,028
Charge for year	743
At end of year	<u>1,771</u>
Net book value	
At 31 December 1996	<u>10,181</u>
At 31 December 1995	<u>8,369</u>

Ronhill Sports Limited

Notes (continued)

9 Tangible assets

	Freehold land and buildings	Motor vehicles	Fixtures, fittings, tools and equipment	Total
	£	£	£	£
Cost or valuation				
At beginning of year	369,360	11,985	446,077	827,422
Additions	804	-	17,645	18,449
Disposals	-	(11,985)	(43,032)	(55,017)
At end of year	370,164	-	420,690	790,854
Depreciation				
At beginning of year	41,406	7,526	291,851	340,783
Charge for year	7,395	116	35,542	43,053
On disposals	-	(7,642)	(28,992)	(36,634)
At end of year	48,801	-	298,401	347,202
Net book value				
At 31 December 1996	321,363	-	122,289	443,652
At 31 December 1995	327,954	4,459	154,226	486,639

Included within tangible fixed assets are the following amounts in respect of assets acquired under finance leases:

	1996 £	1995 £
Net book value	18,152	21,355
Depreciation charge	3,203	3,769

Ronhill Sports Limited

Notes (continued)

10 Investments

	1996 £	1995 £
Shares in group undertakings:		
Cost	636	636
Provision for diminution	(632)	(632)
Net book value at beginning and end of year	<u>4</u>	<u>4</u>

The following companies were subsidiaries at 31 December 1996:

	Country of incorporation	Class of share	No	Equity held
Total Sport Direct Limited (Sportswear Merchants)	UK	£1 Ordinary	2	100%

All companies are registered in England and Wales.

The company has not prepared group financial statements under the exemption conferred by Section 228 of the Companies Act 1985. The company is a wholly-owned subsidiary of Peaco Sport Limited a UK company and the results are included in the consolidated financial statements of that company.

11 Stocks

	1996 £	1995 £
Raw materials and consumables	253,089	165,891
Work in progress	-	7,451
Finished goods	1,284,835	1,351,561
	<u>1,537,924</u>	<u>1,524,903</u>

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Notes (continued)

12 Debtors

	1996 £	1995 £
Trade debtors	2,015,350	1,877,122
Amounts owed by fellow subsidiary companies	137,860	256,099
Other debtors	-	21,848
Prepayments and accrued income	70,616	83,089
	<u>2,223,826</u>	<u>2,238,158</u>
All debtors fall due within one year.		

13 Creditors: amounts falling due within one year

	1996 £	1995 £
Bank loans and overdrafts	755,465	660,666
Trade creditors	1,123,984	1,594,868
Other taxes and social security	227,035	69,565
Amounts owed to holding company	569,882	555,406
Accruals and deferred income	6,067	5,139
	<u>2,682,433</u>	<u>2,885,644</u>

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Notes (continued)

14 Creditors: amounts falling due after more than one year

	1996		1995			
	£		£			
Bank loans	321,601		373,041			
	<u> </u>		<u> </u>			
Creditors payable by instalments						
	Instalments payable within five years		Instalments payable after five years		Total	Total
	1996	1995	1996	1995	1996	1995
	£	£	£	£	£	£
Bank loans	283,808	283,808	37,793	89,233	321,601	373,041
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The bank loan is repayable by equal quarterly instalments over a seven year period. Interest is charged at 2.25% per annum over the bank's base rate, subject to a minimum of 6.25% per annum.

The term loan is repayable over a ten year period.

The bank loan and overdrafts are secured by a fixed and floating charge over the assets of the company.

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Notes (continued)

15 Called up share capital

	1996 £	1995 £
<i>Authorised</i>		
2,000,000 ordinary shares of £1 each	2,000,000	2,000,000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	1,400,000	1,400,000

16 Profit and loss account

	£
At beginning of year	(400,295)
Profit for the year	260,104
At end of year	(140,191)

17 Reconciliation of movements in shareholders' funds

	1996 £	1995 £
Profit/(loss) for the year	260,104	(91,228)
New share capital subscribed	-	500,000
Net addition to shareholders' funds	260,104	408,772
Opening shareholders' funds	999,705	590,933
Closing shareholders' funds	1,259,809	999,705

18 Contingent liabilities

The company has guaranteed a trade finance facility held by the ultimate holding company. The amount outstanding at the year end was £247,292 (1995: £92,500).

Ronhill Sports Limited

Notes (continued)

19 Commitments

Annual commitments under non cancellable operating leases are as follows:

	1996		1995	
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Operating leases which expire:				
Within one year	6,672	40,460	6,675	21,753
In the second to fifth years inclusive	-	27,101	-	59,036
Over five years	11,500	-	11,500	-
	<u>18,172</u>	<u>67,561</u>	<u>18,175</u>	<u>80,789</u>

20 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 £1,837 (1995: £4,426). There were no outstanding contributions at the year end (1995: Nil).

21 Provisions for liabilities and charges

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

	1996		1995	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Difference between accumulated depreciation and capital allowances	-	(8,000)	-	(8,000)
Losses	-	(6,000)	-	(71,000)
	<u>-</u>	<u>(14,000)</u>	<u>-</u>	<u>(79,000)</u>

22 Ultimate parent company

The company is a subsidiary undertaking of Peaco Sport 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.