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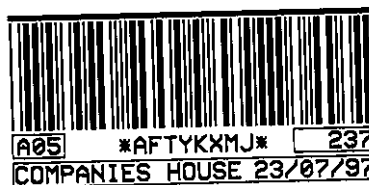
Company Registration No. 1159203

HI-TEC SPORTS PLC

Report and Financial Statements

2 May 1997

**Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR**





REPORT AND FINANCIAL STATEMENTS 1997

CONTENTS	Page
Officers and professional advisers	1
Directors' report	3
Report of the Remuneration Committee	6
Statement of directors' responsibilities	10
Review report to HI-TEC Sports PLC by Deloitte & Touche on Corporate Governance matters	11
Auditors' report	12
Consolidated profit and loss account	13
Statement of total recognised gains and losses	14
Reconciliation of movement in equity shareholders' funds	14
Consolidated balance sheet	15
Consolidated cash flow statement	16
Notes to the consolidated accounts	17
Parent company balance sheet	28
Notes to the parent company balance sheet	29
Additional information on subsidiaries and investments	32



REPORT AND FINANCIAL STATEMENTS 1997

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

F van Wezel
P A Harrison
E T Kirby
B Lemkus
T Mackness
R S Rowland

SECRETARY

S J Dowell

REGISTERED OFFICE

HI-TEC House
Aviation Way
Southend-on-Sea
Essex SS2 6GH

PRINCIPAL BANKERS

National Westminster Bank PLC
6 High Street
Chelmsford
Essex CM1 1BL

The Bank of NT Butterfield & Son Limited
24 Chiswell Street
London EC1Y 4TY

Shawmut Capital
1999 Harrison Street
Suite 1450 Oakland
CA 94612-3508
USA

STOCKBROKERS

Greig Middleton & Co. Ltd
66 Wilson Street
London EC2A 2BL



REPORT AND FINANCIAL STATEMENTS 1997

OFFICERS AND PROFESSIONAL ADVISERS

SOLICITORS

Clifford Chance
Royex House
Aldermanbury Square
London EC2U 7LD

Lovell White Durrant
21 Holborn Viaduct
London EC1A 2DY

Allen & Overy
1 New Change
London EC4M 9QQ

REGISTRAR AND TRANSFER AGENT

Barclays Registrars
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU

AUDITORS

Deloitte & Touche
Chartered Accountants
Hill House
1 Little New Street
London EC4A 3TR

PUBLIC RELATIONS ADVISERS

Ludgate Communications
111 Charterhouse Street
London EC1M 6AA

DIRECTORS' REPORT (continued)

SHARE CAPITAL

The following shareholdings in excess of 3% have been notified to the company as at 30 June 1997:

F van Wezel 52.5%

CORPORATE GOVERNANCE

Throughout the year HI-TEC has complied with the Cadbury Code of Best Practice of the Committee on the Financial Aspects of Corporate Governance (The Cadbury Committee) with the exception that the Board includes only two non-executive directors and that the Chairman of the Board splits his role between that of Executive Chairman and Managing Director of HI-TEC Sports UK Limited.

The non-executive directors perform their central role in safeguarding investors' interests by monitoring the company's performance and its executive management. The Board has accordingly established an Audit Committee comprising the two non-executive directors. The Cadbury Code advocates that an Audit Committee should comprise at least three non-executive directors; however, the Board believes that sufficient objectivity and independent judgement is brought to this Committee through its existing composition.

The primary responsibility of the Board is to the company's shareholders, while at the same time having regard to the Group's customers, its staff, the community and the environment. The Board meets regularly to review strategic operational and financial matters.

Committees

There are three permanent and formally constituted Committees of the Board:

- (1) The Audit Committee, which comprises the non-executive directors and is chaired by R S Rowland. It meets at least three times a year to monitor the results of the Group, applications of accounting policies and compliance with financial reporting standards in discussion with the Group's external auditors.
- (2) The Remuneration Committee, also comprises the non-executive directors and is chaired by E T Kirby. It meets on a regular basis to review the terms and conditions of the employment of executive directors and other senior executives including basic remuneration, the granting of share options and payments on the performance related bonus schemes.
- (3) The Finance & General Purposes Committee, consists of the Chief Executive, an executive director and a non-executive director with the Group Chairman as an ex-officio member. Its terms of reference set out its limits of authority in those matters which require the full approval of the Board.

Internal Control

The directors are responsible for the company's system of internal financial control. Although no such system can provide absolute protection against material misstatement or loss, it is designed to provide the directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately.

The Group has a well-established internal financial control framework, which is designed to meet these objectives, the effectiveness of which is regularly reviewed at executive management level and has been reviewed by the Board which considers it to be appropriate to the Group taken as a whole at this point in time. Key procedures that have been established can be described under the following headings:

DIRECTORS' REPORT (continued)

Internal Control (continued)

- *Organisation Structure* - The Group has a management structure designed to establish clearly defined lines of responsibility and delegation of authority to the executive management of each operating subsidiary. The Board has a direct line into all operating companies through subsidiary Chief Executives which ensures that all companies are constantly and consistently managed without the requirement for Board involvement on a day-to-day basis.
- *Financial Reporting* - The Group has a comprehensive system for planning and budgeting and for monitoring and reporting the performance of the Group's operating units to the Board. Monthly results are reported against budget and prior year and forecasts for the current financial year are revised on a quarterly basis in the light of actual performance. Budgets are prepared at the individual operating unit level and, following central review, are formally adopted by the Board.
- *Operating Unit Controls* - Executive management has defined the internal controls and procedures with which each operating unit is required to comply. Key controls over major business risks include clearly defined levels of authority, reviews against performance indicators and reporting by exception.


GOING CONCERN

After making enquiries the directors have formed a judgement at the time of approving the Financial Statements that the company and the Group have adequate resources to continue in operational existence for the foreseeable future. The directors continue to adopt the Going Concern Basis in preparing the financial statements.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



S J Dowell
Secretary

16 July 1997

HI-TEC House
Aviation Way
Southend-on-Sea
Essex SS2 6GH

REPORT OF THE REMUNERATION COMMITTEE

1. COMPOSITION OF THE REMUNERATION COMMITTEE

The Remuneration Committee comprises E Kirby (Chairman) and R S Rowland, the Company's non-executive directors. The Remuneration Committee meets as necessary and obtains assistance from external advisers as required. The members have no personal financial interest (other than as shareholders) in the matters addressed by the Remuneration Committee and have no conflicts of interest arising from cross-directorships. E T Kirby was an executive director for a region of National Westminster Bank PLC. R S Rowland, a Chartered Accountant, currently holds various non-executive directorships.

2. COMPLIANCE

The constitution and operation of the Remuneration Committee are in compliance with the principles which are now incorporated in Section A of the Best Practice Provisions derived from the Code of Best Practice issued by the Study Group on Directors' Remuneration ("the Greenbury Committee"), as amended by the Stock Exchange Listing Rules. The Remuneration Committee also confirms that full consideration has been given to the Best Practice Provisions set out in Section B, annexed to the Listing Rules, in determining the remuneration packages for directors.

3. POLICY ON REMUNERATION OF EXECUTIVE DIRECTORS AND SENIOR EXECUTIVES

Executive remuneration packages are designed to attract, motivate and retain executives of the right calibre and to reward them for enhancing value to shareholders. The performance measurement of the executive directors and other senior executives, and the approval of their annual remuneration package, is undertaken by the Remuneration Committee. The remuneration of non-executive directors is determined by the Board.

There are five main elements of the remuneration package for executive directors and senior executives of the company:

(i) *Basic remuneration*

Basic remuneration for each director is determined by the Remuneration Committee, taking into account the performance of the individual and the rates of salary for similar positions in comparable companies in similar locations.

(ii) *Performance related remuneration*

The Remuneration Committee believes that any incentive compensation awarded should be tied to the interests of the company's shareholders. The annual bonus scheme for 1997/98 enables executive directors and senior executives to earn a bonus of between 25% to 50% of salary dependent upon their fully achieving specified performance levels during the year against individually agreed key objectives. Such annual bonuses do not form part of pensionable pay.

(iii) *Phantom Share Option Scheme*

The Phantom Share Option Scheme ("the scheme") was set up two years ago to operate in conjunction with the company's executive share option schemes. The scheme delivers a deferred cash bonus, the amount of which is linked to the performance of the company's share price over a period of time. The right to receive a cash bonus is linked to a fixed number of ordinary shares. When the participant exercises his right, he receives a cash bonus the amount of which is equal to the excess of the aggregate market value of the number of ordinary shares in respect of which he has exercised his right over their aggregate exercise price, where the exercise price is fixed by the Remuneration Committee on the date of grant.

REPORT OF THE REMUNERATION COMMITTEE (continued)

3. POLICY ON REMUNERATION OF EXECUTIVE DIRECTORS AND SENIOR EXECUTIVES (continued)

(iii) *Phantom Share Option Scheme (continued)*

The scheme was amended from 1 June 1996 to emphasise the long-term, rather than medium-term, context by directly linking the value of the benefit which selected senior executive members of the Group can receive to the Company's share price performance over a number of years.

A right granted under the scheme will become fully exercisable over a period of three years following the third anniversary of date of grant.

A right will be exercisable as to 50% of the ordinary shares to which it relates on the third anniversary of its date of grant, as to a further 30% on the fourth anniversary, and it will become fully exercisable on the fifth anniversary of its date of grant.

A right will lapse on the seventh anniversary of its date of grant rather than the tenth anniversary as previously. It is currently intended that the exercise price of a right granted under the scheme will be the higher of 50p and the market value of an ordinary share on the date of grant of a right.

The Remuneration Committee has decided that the maximum value of a right that an executive may exercise at any one time under this scheme will be the equivalent of twice his annual salary.

The Remuneration Committee has resolved that it will only grant rights for the time being under the scheme relating to no more than 1,250,000 ordinary shares in aggregate.

(iv) *Executive Share Option Scheme*

Within the Group's existing 1994 Executive Share Option Scheme further grants have been made during the year as detailed in paragraph 6 of this report. The subscription price at which they may be exercised is the average of the middle market quotation on the three dealing days immediately preceding the date of grant. Exercise of the options is subject to a performance trigger in that the share price must first reach 80p. The options become exercisable as to 50% on the third anniversary of the date of grant, 25% on the fourth anniversary and 25% on the fifth (cumulatively). They continue to be exercisable until the 10th anniversary of the date of grant.

On 16 February and 13 February 1997 respectively, B Lemkus and P A Harrison were granted options over 350,000 and 560,000 shares respectively at an option price of 37p per share.

(v) *Pension arrangements*

Aside from the chairman, executive directors are members of company defined contribution pension scheme, and participate in the schemes on the same basis as other senior executives. In general, no payments to directors other than basic salary are pensionable, but for members of schemes in the US, a proportion of bonus payments forms part of pensionable salary in line with normal practice. The cash contributions made by the company represent the value of the directors' benefits received.

4. DIRECTORS' SERVICE CONTRACTS

None of the executive directors has a service contract with a duration of more than one year. In the event of early termination of a contract, the company is under no obligation to make any payments for compensation for loss of office other than that representing the unexpired portion of the contract.

5. NON-EXECUTIVE DIRECTORS

The non-executive directors do not participate in any of the company's share option schemes. Non-executive directors do not have a service contract and are not eligible to join the company's pension schemes.

REPORT OF THE REMUNERATION COMMITTEE (continued)

6. DIRECTORS' EMOLUMENTS

(i) Executive

	Salary		Bonus		Benefits		Pension contributions		Total	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000	1997 £'000	1996 £'000	1997 £'000	1996 £'000	1997 £'000	1996 £'000
F van Wezel	131	131	25	-	19	18	55	68	230	217
P A Harrison	79	41	18	-	3	1	16	4	116	46
B Lemkus	63	24	10	17	10	3	3	2	86	46
T Mackness	156	160	-	-	6	14	9	13	171	187
A S Reynolds	-	175	-	-	-	-	-	-	-	175
D A Strongman	-	41	-	-	-	1	-	10	-	52
	<u>429</u>	<u>572</u>	<u>53</u>	<u>17</u>	<u>38</u>	<u>37</u>	<u>83</u>	<u>97</u>	<u>603</u>	<u>723</u>

Executive share option scheme

	Number of share options			Exercise price	Date from which exercisable	Expiry date
	At 27 April 1996	Granted	At 2 May 1997			
P A Harrison	-	560,000	560,000	37p	13 February 2000	13 February 2007
B Lemkus	-	350,000	350,000	37p	16 February 2000	13 February 2007

Phantom share option scheme

	Number of phantom options			Exercise price	Date from which exercisable	Expiry date
	At 27 April 1996	Granted	At 2 May 1997			
P A Harrison	-	250,000	250,000	50p	1 June 1999	1 June 2003
T Mackness	200,000	-	200,000	50p	1 June 1996	1 June 2003

The middle market quotation of the ordinary shares was 37p at 2 May 1997 and moved between 57p and 30.5p during the year.

(ii) Non-executive

	Fees	
	1997 £'000	1996 £'000
R S Rowland	18	15
E T Kirby	16	8
	<u>34</u>	<u>23</u>

REPORT OF THE REMUNERATION COMMITTEE (continued)

7. DIRECTORS' INTERESTS IN SHARES

The directors' interests in the shares of the company at the end of the period were:

	1997	1996
F van Wezel	26,435,603	26,312,108
P A Harrison	2,090	2,090
E T Kirby	35,780	15,780
T Mackness	1,013,578	1,013,578
R S Rowland	26,837	26,837

On behalf of the Board


 E T Kirby
 Chairman, Remuneration Committee

16 July 1997

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 the Group as at the end of the financial year and of the profit or loss of the Group 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;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group 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 the Group and to 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**REVIEW REPORT TO HI-TEC SPORTS PLC BY DELOITTE & TOUCHE ON
CORPORATE GOVERNANCE MATTERS**

In addition to our audit of the financial statements, we have reviewed the directors' statements on pages 4 and 5 on the company's compliance with the paragraphs of the Code of Best Practice specified for our review by The London Stock Exchange and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43 (j) and 12.43 (v).

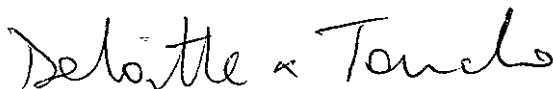
Basis of opinion

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the company's system of internal financial control or its corporate governance procedures or on the ability of the company to continue in operational existence.

Opinion

With respect to the directors' statement on internal financial control on pages 4 and 5 and going concern on page 5, in our opinion the directors have provided the disclosures required by the Listing Rules referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the company, and examination of relevant documents, in our opinion the directors' statement on pages 4 and 5 appropriately reflects the company's compliance with the other paragraphs of the code specified for our review by Listing Rule 12.43(j).



Deloitte & Touche
Chartered Accountants
Hill House
1 Little New Street
London
EC4A 3TR

16 July 1997



Chartered Accountants

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AUDITORS' REPORT TO THE MEMBERS OF HI-TEC SPORTS PLC

We have audited the financial statements on pages 13 to 32 which have been prepared under the accounting policies set out on pages 17 and 18 and the detailed information which is required by the London Stock Exchange to be audited in respect of any directors' remuneration, share options, long-term incentive schemes and pension entitlements which is set out in the report to shareholders by the Remuneration Committee on pages 6 to 9.

Respective responsibilities of directors and auditors

As described on page 10 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 and the Group'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 and the Group's affairs at 2 May 1997 and of the profit of the Group for the 53 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche
Chartered Accountants and Registered Auditors

Hill House
1 Little New Street
London
EC4A 3TR

16 July 1997

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the 53 week period ended 2 May 1997

	Note	1997 £'000	1996 £'000
TURNOVER	2	91,178	92,846
Cost of sales		(61,969)	(63,542)
GROSS PROFIT		29,209	29,304
Selling and distribution costs		(14,814)	(15,365)
Administrative expenses		(9,006)	(9,568)
OPERATING PROFIT	2,3	5,389	4,371
Other interest receivable and similar income	4	409	433
Interest payable and similar charges	5	(2,662)	(2,777)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,136	2,027
Tax on profit on ordinary activities	6	(791)	(581)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,345	1,446
Equity minority interests		(75)	(188)
PROFIT FOR THE PERIOD		2,270	1,258
Dividend proposed		(609)	-
RETAINED PROFITS FOR THE PERIOD		1,661	1,258
Earnings per share	7	4.5p	2.5p

For the 53 week period ended 2 May 1997 and the 52 week period ended 26 April 1996 all turnover was derived from continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the 53 week period ended 2 May 1997

	Note	1997 £'000	1996 £'000
Profit attributable to shareholders		2,270	1,258
Translation differences	19	(778)	369
Total gains recognised in the period		1,492	1,627

The results disclosed above are on an unmodified historical cost basis.

RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	1997 £'000	1996 £'000
Equity shareholders' funds at beginning of period	19,580	18,282
Profit attributable to shareholders	2,270	1,258
Goodwill written off	-	(329)
Translation differences	(778)	369
Dividend proposed	(609)	-
Equity shareholders' funds at end of period	20,463	19,580

CONSOLIDATED BALANCE SHEET
2 May 1997

	Note	1997 £'000	1996 £'000
FIXED ASSETS			
Intangible assets	10	593	546
Tangible assets	11	1,560	1,672
		<u>2,153</u>	<u>2,218</u>
CURRENT ASSETS			
Stocks	12	24,553	29,392
Debtors	13	22,982	21,645
Investments	14	4	4
Cash at bank and in hand		8,334	1,066
		<u>55,873</u>	<u>52,107</u>
CREDITORS: amounts falling due within one year	15	(37,000)	(33,793)
NET CURRENT ASSETS		<u>18,873</u>	<u>18,314</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		21,026	20,532
CREDITORS: amounts falling due after more than one year	15	(128)	(472)
PROVISIONS FOR LIABILITIES AND CHARGES	17	(30)	(109)
		<u>20,868</u>	<u>19,951</u>
CAPITAL AND RESERVES			
Called up share capital	18	12,685	12,685
Share premium account	19	15,970	15,970
Profit and loss account	19	(3,987)	(4,870)
Goodwill arising	19	(4,205)	(4,205)
		<u>20,463</u>	<u>19,580</u>
Equity shareholders' funds			
Equity minority interests		405	371
		<u>20,868</u>	<u>19,951</u>

These financial statements were approved by the Board of Directors on 16 July 1997.

Signed on behalf of the Board of Directors

F van Wezel
 Director

CONSOLIDATED CASH FLOW STATEMENT
For the 53 week period ended 2 May 1997

	Note	£'000	1997 £'000	1996 £'000
Net cash inflow from operating activities	23		8,950	8,684
Returns on investments and servicing of finance				
Interest received		407	433	
Interest paid		(2,668)	(2,777)	
Interest element of finance lease rental payments		(34)	-	
Net cash outflow from returns on investments and servicing of finance			(2,295)	(2,344)
Taxation				
UK and overseas corporate tax (paid)/received			(310)	151
Capital expenditure and financial investment				
Tangible fixed assets acquired		(586)	(584)	
Tangible fixed assets sold		84	151	
Intangible fixed assets acquired		(99)	(58)	
Loans to other entities		-	(615)	
Sale of trade investment		-	1,406	
Net cash (outflow)/inflow from capital expenditure and financial investment			(601)	300
Net cash inflow before financing			5,744	6,791
Financing	24			
Capital element of finance lease rentals		(242)	(212)	
Debt due within one year:				
Bank loans		(260)	(160)	
Debt due after more than one year:				
Bank loans		-	(2,272)	
Net cash outflow from financing			(502)	(2,644)
Increase in cash	25		5,242	4,147

NOTES TO THE CONSOLIDATED ACCOUNTS
For the 53 week period ended 2 May 1997

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

The Group financial statements consolidate the accounts of HI-TEC Sports plc and its subsidiaries for the 53 week period ended 2 May 1997. Comparative figures are presented for the 52 week period to 26 April 1996.

Basis of consolidation and goodwill

Where the price paid for a subsidiary exceeds the fair value attributable to its net assets, the difference is treated as goodwill and is transferred to reserves in the year of acquisition.

Turnover

Group turnover comprises the value of goods supplied exclusive of value added tax and intra-group transactions.

Intangible fixed assets

The cost incurred in registering the Group's trade marks is capitalised and amortised over the period from the date of registration to the date of the next renewal except in those instances where the trade mark is for an indefinite period of time, in which case no amortisation is charged and the net realisable value is reviewed on an annual basis.

Tangible fixed assets

Tangible fixed assets are shown at cost. Depreciation is provided at rates calculated to write off the cost less estimated residual value of fixed assets on a straight line basis over their estimated useful lives as follows:

Leasehold property	-	equal annual instalments over the term of the lease
Fixtures and fittings	-	25% per annum
Office and computer equipment	-	25% per annum
Motor vehicles	-	25% per annum

Investments

Investments held as fixed assets are stated at cost less provision for permanent diminution in value.

Current asset investments are stated at the lower of cost and net realisable value.

Stocks

Stocks are stated at the lower of weighted average cost and net realisable value. Weighted average cost is calculated by entering purchases into stock at actual cost and relieving sales from stock at the average cost of the stock still on hand. Cost represents the costs incurred in bringing stocks to their location and condition at year end.

Net realisable value is based on estimated normal selling price less direct costs expected to be incurred on disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation is provided using the liability method in respect of the taxation effect of all timing differences to the extent that it is probable that liabilities will crystallise in the foreseeable future.

NOTES TO THE CONSOLIDATED ACCOUNTS
For the 53 week period ended 2 May 1997

1. ACCOUNTING POLICIES (continued)

Pension costs

The company operates a self-administered defined contribution pension scheme for certain directors. Pension benefits are provided to other Group employees through separate defined contribution schemes. Payments made to these schemes and charged in the accounts comprise current contributions.

Foreign currency

Normal trading activities denominated in foreign currencies are recorded in sterling at the exchange rates relevant to the transactions.

Monetary assets and liabilities denominated in foreign currencies at the period end are reported at the rates of exchange prevailing at the period end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is reported as an exchange gain or loss in the profit and loss account.

For the purpose of consolidation the net investment method is used, under which translation gains or losses are shown as a movement on reserves. The profit and loss accounts for the overseas subsidiaries are translated at the average rates of exchange for the period.

Leases

Assets held under finance leases are reported at the fair value of the asset at the date of inception of the lease, with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is depreciated over the shorter of the lease term and its economic life. Finance charges are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation and allocated to cost of sales and other operating expenses as appropriate.

Rentals under operating leases are charged to the profit and loss account as incurred.

2. SEGMENTAL INFORMATION

The whole of the Group's business derives from the selling and distribution of sports footwear and leisurewear. The geographical composition by destination of the business was as follows:

	1997			1996		
	Turnover £'000	Operating Profit £'000	Net assets £'000	Turnover £'000	Operating Profit £'000	Net assets £'000
Geographical area:						
North America	26,289	900	10,895	28,042	741	11,965
UK and Ireland	33,615	2,292	12,325	34,434	778	18,925
Continental Europe	13,229	951	718	13,614	1,188	(604)
Rest of World	18,045	1,246	1,410	16,756	1,664	291
	<u>91,178</u>	<u>5,389</u>	<u>25,348</u>	<u>92,846</u>	<u>4,371</u>	<u>30,577</u>
Operating profit		5,389			4,371	
Other income less interest		(2,253)			(2,344)	
Profit before tax		<u>3,136</u>			<u>2,027</u>	
Capital employed			25,348			30,577
Net borrowings			(4,480)			(10,626)
			<u>20,868</u>			<u>19,951</u>

NOTES TO THE CONSOLIDATED ACCOUNTS
For the 53 week period ended 2 May 1997

2. SEGMENTAL INFORMATION (continued)

The turnover shown above includes the following amounts which originate in the UK:

	1997 £'000	1996 £'000
North America	-	33
Continental Europe	8,442	8,244
Rest of World	6,214	2,792
	<u>14,656</u>	<u>11,069</u>

3. OPERATING PROFIT

	1997 £'000	1996 £'000
Operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets	515	661
Amortisation of intangible fixed assets	52	34
(Profit)/loss on disposal of tangible fixed assets	(12)	17
Auditors' remuneration - audit	160	180
- other services	146	139
Staff costs (see also note 9)	7,471	6,878
Operating lease rentals:		
- plant and machinery	681	699
- other operating lease rentals	683	545

4. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	1997 £'000	1996 £'000
Bank interest receivable and similar income	<u>409</u>	<u>433</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	1997 £'000	1996 £'000
Interest on bank overdrafts and other loans	<u>2,662</u>	<u>2,777</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1997 £'000	1996 £'000
UK corporation tax at 32.8% (1996 - 33%)	(512)	(150)
Overseas taxation	(279)	(278)
	<u>(791)</u>	<u>(428)</u>
Prior period adjustment	-	(153)
	<u>(791)</u>	<u>(581)</u>

NOTES TO THE CONSOLIDATED ACCOUNTS
For the 53 week period ended 2 May 1997

6. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

The tax charge for the period is disproportionately low due to the availability of losses brought forward from prior periods.

There are no unprovided deferred tax liabilities (1996 - £nil).

No provision is made in respect of tax which might be payable if the retained profits of overseas subsidiaries were distributed to the UK.

7. EARNINGS PER SHARE

The calculation of earnings per share is based on the following:

	1997 £'000	1996 £'000
Profit for the period	2,270	1,258
	<u>No.</u> <u>'000</u>	<u>No.</u> <u>'000</u>
Weighted average number of ordinary shares	50,743	50,743

The dilution of earnings per share caused by the exercise of share options would not be material.

8. DIRECTORS

Information regarding directors' remuneration and directors' interests in the share capital of the company is given in the report of the Remuneration Committee on page 6 to 9.

Directors' interests in other transactions of the Group are shown in note 22 to the consolidated accounts.

9. EMPLOYEES

	1997 No.	1996 No.
Average number of employees:		
Directors	6	7
Sales and marketing	103	83
Administration and distribution	209	225
	<u>318</u>	<u>315</u>
	<u>£'000</u>	<u>£'000</u>
Staff costs (including directors):		
Wages and salaries	6,453	6,015
Social security costs	447	439
Other pension costs	571	424
	<u>7,471</u>	<u>6,878</u>

NOTES TO THE CONSOLIDATED ACCOUNTS
For the 53 week period ended 2 May 1997

10. INTANGIBLE FIXED ASSETS

	Cost £'000	Amortisation £'000	Net book value £'000
Trade marks			
At 26 April 1996	707	(161)	546
Additions/(charge) for the period	99	(52)	47
At 2 May 1997	<u>806</u>	<u>(213)</u>	<u>593</u>

11. TANGIBLE FIXED ASSETS

	Short leasehold property £'000	Fixtures and fittings £'000	Office and computer equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 27 April 1996	812	1,718	1,867	444	4,841
Exchange adjustments	(56)	(72)	(63)	(33)	(224)
Additions	39	154	243	150	586
Disposals	-	(79)	(29)	(76)	(184)
At 2 May 1997	<u>795</u>	<u>1,721</u>	<u>2,018</u>	<u>485</u>	<u>5,019</u>
Depreciation					
At 27 April 1996	357	1,335	1,351	126	3,169
Exchange adjustments	(24)	(43)	(37)	(9)	(113)
Charge for period	90	129	206	90	515
Disposals	-	(62)	(26)	(24)	(112)
At 2 May 1997	<u>423</u>	<u>1,359</u>	<u>1,494</u>	<u>183</u>	<u>3,459</u>
Net book value					
At 2 May 1997	<u>372</u>	<u>362</u>	<u>524</u>	<u>302</u>	<u>1,560</u>
At 26 April 1996	<u>455</u>	<u>383</u>	<u>516</u>	<u>318</u>	<u>1,672</u>

Included in the total net book value of tangible assets is £523,000 (1996 - £611,000) in respect of assets acquired under finance leases. Depreciation for the period on these assets amounted to £182,000 (1996 - £180,000).

NOTES TO THE CONSOLIDATED ACCOUNTS
For the 53 week period ended 2 May 1997

12. STOCKS

	1997	1996
	£'000	£'000
Goods for resale		
- on hand	21,883	25,453
- in transit	2,670	3,939
	<u>24,553</u>	<u>29,392</u>

In the opinion of the directors, the replacement value of period-end stocks was not materially different from the values shown above.

13. DEBTORS

	1997	1996
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	20,126	18,162
Other debtors	995	2,358
Overseas tax recoverable	63	501
Prepayments	1,331	620
	<u>22,515</u>	<u>21,641</u>
Amounts falling due after one year:		
Prepayments	-	4
Other	467	-
	<u>22,982</u>	<u>21,645</u>

14. CURRENT ASSET INVESTMENTS

	1997	1996
	£'000	£'000
Cost or valuation:		
At the beginning of the period	4	1,406
Additions	-	4
Disposals	-	(1,406)
	<u>4</u>	<u>4</u>
At the end of the period		
	<u>4</u>	<u>4</u>

The Group's remaining 40% interest in Beheermaatschappij Cofex BV ("Cofex") was disposed of in July 1995 for a consideration of approximately £1.4 million.

NOTES TO THE CONSOLIDATED ACCOUNTS
For the 53 week period ended 2 May 1997

15. CREDITORS

	1997 £'000	1996 £'000
Amounts due within one year:		
Bank loans and overdrafts	12,814	11,429
Obligations under finance leases and hire purchase contracts	145	336
Trade creditors	14,735	15,064
UK corporation tax payable	835	-
Overseas taxation	334	637
Social security and PAYE	14	75
Accruals and sundry creditors	8,123	6,252
	<u>37,000</u>	<u>33,793</u>

	1997 £'000	1996 £'000
Amounts due after more than one year:		
Bank loans and overdrafts	-	266
Obligations under finance leases and hire purchase contracts	121	206
Overseas taxation	7	-
	<u>128</u>	<u>472</u>

	Group		Company	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Bank borrowings due after one year comprise:				
seven year term loan	-	266	-	-

Bank loans and overdrafts are secured by a charge over fixed and floating assets.

The company and the Group meet their day-to-day working capital requirements through overdraft and trade finance facilities which are repayable on demand and are subject to annual review by the Group's principal bankers who have confirmed that funds are available to support the company's plans for the year to April 1998.

16. LEASE OBLIGATIONS

	1997 £'000	1996 £'000
Finance leases:		
Obligations under finance leases and hire purchase contracts due:		
Within one year	145	336
Between one and two years	56	202
Between two and five years	65	4
	<u>266</u>	<u>542</u>

NOTES TO THE CONSOLIDATED ACCOUNTS
For the 53 week period ended 2 May 1997

16. LEASE OBLIGATIONS (continued)

	Land and buildings 1997 £'000	Other 1997 £'000	Land and buildings 1996 £'000	Other 1996 £'000
Operating leases:				
Payments due in the following year				
under operating leases with expiry dates:				
Under one year	369	31	287	104
Between two and five years	330	201	464	232
After five years	746	-	571	-
	<u>1,445</u>	<u>232</u>	<u>1,322</u>	<u>336</u>

17. PROVISION FOR LIABILITIES AND CHARGES

	Company 1997 £'000	Company 1996 £'000	Group 1997 £'000	Group 1996 £'000
Deferred tax adjustment in respect of prior years	-	-	30	109
	<u>Unprovided 1997 £'000</u>	<u>Unprovided 1996 £'000</u>	<u>Provided 1997 £'000</u>	<u>Provided 1996 £'000</u>
Other timing differences	-	-	-	109

No provision has been made for any taxation which may arise if overseas subsidiaries were to distribute the balance of their reserves as no such distributions are expected to be made in the foreseeable future.

18. CALLED UP EQUITY SHARE CAPITAL

	Group and Company 1997 £'000	1996 £'000
Authorised:		
61,415,932 Ordinary shares of 25p each	<u>15,354</u>	<u>15,354</u>
	No.	£'000
Issued and fully paid:		
At 26 April 1996 and 2 May 1997	<u>50,743,101</u>	<u>12,685</u>

NOTES TO THE CONSOLIDATED ACCOUNTS
For the 53 week period ended 2 May 1997

18. CALLED UP EQUITY SHARE CAPITAL (continued)

Share options outstanding to certain directors and employees at the end of the period were as follows:

Date of grant	Exercise price per ordinary share	Number of ordinary shares under option	
		1997	1996
6 June 1990	54p	-	46,248
10 June 1991	130p	-	25,693
22 July 1994	74p	-	155,000
13 February 1997	37p	1,280,000	-
16 February 1997	37p	350,000	-
		<u>1,630,000</u>	<u>226,941</u>

The grants of options on 6 June 1990 and 10 June 1991 were under the executive share option scheme approved by shareholders on 7 June 1988.

The grants on 22 July 1994, 13 February 1997 and 16 February 1997 were under the executive share option scheme approved by shareholders on 16 June 1994.

Options may normally only be exercisable between three and ten years after the date of grant.

Under the SAYE share option scheme, approved by shareholders on 7 June 1988 and subsequently amended at the Annual General Meeting on 2 July 1992, employees held at 2 May 1997 options to subscribe for 824,747 (1996 - 457,203) ordinary shares at a price of 32p per share. Such options will normally be exercisable within the six month period commencing on the date on which the five-year bonus is due under the relevant SAYE contract.

19. RESERVES

	Share premium account £'000	Profit and loss account £'000	Less: goodwill arising £'000	Total £'000
At 27 April 1996	15,970	(4,870)	(4,205)	6,895
Foreign exchange translation differences	-	(778)	-	(778)
Retained profit	-	1,661	-	1,661
At 2 May 1997	<u>15,970</u>	<u>(3,987)</u>	<u>(4,205)</u>	<u>7,778</u>

20. PENSIONS

HI-TEC operates a number of Pension Schemes throughout the world. The major schemes are of defined contribution type and are in the UK. The assets of the schemes are held in separate trustee administered funds. Contributions to these schemes amounted to £571,000 (1996 - £424,000).



NOTES TO THE CONSOLIDATED ACCOUNTS

For the 53 week period ended 2 May 1997

21. CONTINGENT LIABILITIES AND COMMITMENTS

At 2 May 1997, there were contingent liabilities amounting to:

- £3.5 million (1996 - £5.1 million) in respect of documentary credits opened in favour of suppliers in advance of shipment;
- £14.4 million (1996 - £24.7 million) in respect of outstanding foreign currency forward contracts.

At 2 May 1997 and 26 April 1996 there were no capital commitments either in respect of projects contracted but not provided for in the accounts nor in respect of projects authorised by directors but not contracted.

22. TRANSACTIONS WITH CONNECTED PARTIES

During the period HI-TEC Sports USA, Inc. occupied a property which was owned by F van Wezel and which was leased from him at a market rate of US\$32,890 per month.

During the period HI-TEC Sports Distributors Ltd occupied a property which was 80% owned by management, including B Lemkus, and which was leased from them at a market rate of SAR 568,720.

B Lemkus has provided personal guarantees on behalf of HI-TEC Sports S.A. (Pty) Ltd in favour of Standard Bank and Investee Bank in respect of SAR 1,400,000 and SAR 300,000 respectively. He received fees of SAR 17,004 in respect of these guarantees in the year from the Group.

B Lemkus also owns 20% of the issued share capital of HI-TEC Sports S.A. (Pty) Ltd. His share of the minority interest in the consolidated Group balance sheet in respect of this shareholding is £307,000 at 2 May 1997.

23. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1997 £'000	1996 £'000
Operating profit	5,389	4,371
Depreciation and amortisation charges	567	695
(Profit)/loss on sale of tangible fixed assets	(12)	17
Decrease in stocks	3,603	1,571
(Increase)/decrease in debtors	(2,694)	2,266
Increase/(decrease) in creditors	1,768	(273)
Exchange differences	329	37
Net cash inflow from operating activities	<u>8,950</u>	<u>8,684</u>



NOTES TO THE CONSOLIDATED ACCOUNTS
For the 53 week period ended 2 May 1997

24. ANALYSIS OF NET DEBT

	At 26 April 1996 £'000	Cashflow £'000	Other non-cash changes £'000	Exchange movement £'000	At 2 May 1997 £'000
Cash in hand and at bank	1,066	7,268	-	-	8,334
Overdrafts	(11,429)	(2,026)	-	641	(12,814)
	(10,363)	5,242	-	641	(4,480)
Debt due within one year	(266)	260	-	6	-
Finance leases	(542)	242	(39)	73	(266)
Total	(11,171)	5,744	(39)	720	(4,746)

25. RECONCILIATION OF NET CASHFLOW TO MOVEMENTS IN NET DEBT

	£'000	1997 £'000	£'000	1996 £'000
Increase in cash in the period	5,242		4,147	
Cash inflow from increase in debt and lease financing	502		2,644	
Change in net debt resulting from cashflows		5,744		6,791
New finance leases		(39)		-
Translation difference		720		(37)
Movement in net debt in the period		6,425		6,754
Net debt at start of year		(11,171)		(17,925)
Net debt at end of year		(4,746)		(11,171)

26. NON-CASH TRANSACTIONS

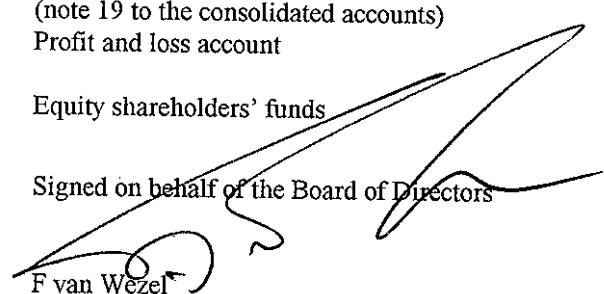
During the year the company/group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £39,000.

27. RESTRICTIONS ON THE REMITTABILITY OF CASH

Due to exchange control restrictions in South Africa, remittances from HI TEC Sports SA (Pty) Limited require South African Central Bank approval.



PARENT COMPANY BALANCE SHEET
2 May 1997

	Note	1997 £'000	1996 £'000
FIXED ASSETS			
Intangible assets	(ii)	212	212
Tangible assets	(iii)	24	29
Investments	(iv)	29,182	28,394
		<u>29,418</u>	<u>28,635</u>
CURRENT ASSETS			
Debtors	(v)	4,957	5,766
CREDITORS: amounts falling due within one year			
	(vi)	(5,071)	(4,712)
NET CURRENT (LIABILITIES)/ASSETS			
		<u>(114)</u>	<u>1,054</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>29,304</u>	<u>29,689</u>
		<u>29,304</u>	<u>29,689</u>
CAPITAL AND RESERVES			
Called up share capital (note 18 to the consolidated accounts)		12,685	12,685
Share premium account (note 19 to the consolidated accounts)		15,970	15,970
Profit and loss account	(vii)	649	1,034
Equity shareholders' funds		<u>29,304</u>	<u>29,689</u>
Signed on behalf of the Board of Directors			
 F van Wezel Director 16 July 1997			


NOTES TO THE PARENT COMPANY BALANCE SHEET
2 May 1997
(i) PROFIT AND LOSS ACCOUNT

As permitted by the Companies Act 1985, the profit and loss account of the parent company has not been separately presented in these accounts. The profit for the period dealt with in the accounts of the parent company is £257,000 (1996 - profit £339,000).

(ii) INTANGIBLE FIXED ASSETS

	Cost and net book value £'000
Trade marks	
27 April 1996 and 2 May 1997	212

The costs incurred to register trademarks are not being amortised as such costs secure the company's right to trade indefinitely.

(iii) TANGIBLE FIXED ASSETS

	Computer equipment £'000	Motor vehicles £'000	Total £'000
Cost			
At 27 April 1996	25	14	39
Additions	8	-	8
At 2 May 1997	33	14	47
Depreciation			
At 27 April 1996	6	4	10
Charge for year	9	4	13
At 2 May 1997	15	8	23
Net book value			
At 2 May 1997	18	6	24
At 26 April 1996	19	10	29



NOTES TO THE PARENT COMPANY BALANCE SHEET
2 May 1997

(iv) FIXED ASSET INVESTMENTS

	Equity £'000	Loans £'000	Total £'000
Investments in subsidiaries			
Cost or valuation			
Cost as at 27 April 1996	22,486	5,908	28,394
Repayment of loans	-	(490)	(490)
Exchange adjustment	-	(172)	(172)
Conversion of subsidiary debt to equity	3,991	(2,541)	1,450
2 May 1997	<u>26,477</u>	<u>2,705</u>	<u>29,182</u>

During the year the company converted outstanding debt and other intergroup payables owed by HI-TEC International Holdings B.V., HI-TEC (Canada) Limited, and HI-TEC Sports B.V. into equity.

Details of principal subsidiaries are set out on page 32.

In the opinion of the directors, the value of the investments are not less than the value at which they are included in the balance sheet.

(v) DEBTORS

	1997 £'000	1996 £'000
Amounts owed by subsidiaries	4,940	5,574
Other debtors	7	192
Tax recoverable	10	-
	<u>4,957</u>	<u>5,766</u>

(vi) CREDITORS

	1997 £'000	1996 £'000
Amounts falling due within one year:		
Bank loans and overdrafts	888	1,818
Amounts owed to subsidiaries	3,317	2,447
UK corporation tax payable	-	1
Accruals and sundry creditors	257	446
Dividends	609	-
	<u>5,071</u>	<u>4,712</u>

Bank loans and overdrafts of £888,000 (1996 - £1,818,000) are secured by a charge over fixed and floating assets.

NOTES TO THE PARENT COMPANY BALANCE SHEET
2 May 1997

(vii) RESERVES

	Profit and loss £'000
At 27 April 1996	
Profit for the period	1,034
Dividend	257
Translation differences	(609)
	(33)
As at 2 May 1997	<u>649</u>

(viii) COMMITMENTS AND CONTINGENCIES

Guarantees for subsidiaries

The company has guaranteed the overdraft facilities of certain subsidiaries, which amounted to a maximum of £5.5 million (1996 - £5.6 million) at the period end.

Pension arrangements

The company operates a partly insured self-administered, defined contribution pension scheme for certain directors. The contributions in the year were £55,000 (1996 - £56,340).

(ix) APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the company were approved by the Board of directors on 16 July 1997.



ADDITIONAL INFORMATION ON SUBSIDIARIES

Principal subsidiaries

	Country of incorporation and operation	Proportion held as at 2 May 1997
HI-TEC Sports UK Limited	*Great Britain	100%
HI-TEC Sports International Limited	*Great Britain	100%
HI-TEC Sports USA Inc.	USA	100%
HI-TEC Sports (Canada) Limited	*Canada	100%
HI-TEC Sports (Ireland) Limited	*Ireland	100%
HI-TEC Sports Espana SA	Spain	80%
HI-TEC Sports Distributors (Pty) Limited	South Africa	80%
HI-TEC Sports Hong Kong Limited	Hong Kong	100%

Companies indicated by a * are directly owned by the company.

All the above companies are engaged in the buying, selling and distribution of sporting goods and casualwear.

All companies incorporated in Great Britain are registered in England and Wales.