

Shakespeare Company (UK) Limited

Report and Accounts

31 December 2000

Company No: 2298581



Shakespeare Company (UK) Limited

DIRECTORS' REPORT

DIRECTORS

J Tomsett (Managing Director)
R Rodstein (USA)
J Rangel (USA)

SECRETARY

D Crawford

REGISTERED OFFICE

Broad Ground Road, Lakeside, Redditch, Worcestershire.

The directors present their report and audited accounts for the year ended 31 December 2000.

RESULTS AND DIVIDENDS

The profit for the year attributable to shareholders amounts to £11,040 (1999: £122,997) and is dealt with as shown in the profit and loss account.

PRINCIPAL ACTIVITIES

The activities of the company are the purchase and resale of fishing equipment and the manufacture of fly line. The Company also distributes K2 in-line skates, K2 Skiing and snowboard equipment.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The profit for the year is less than satisfactory in the difficult market conditions that prevailed during the year. K2 diversification and establishment costs also negatively impacted the overall profitability result of fishing tackle and winter sports equipment.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year ended 31 December 2000 were those listed above.

The directors have no declarable interest in the share capital of the company or of any other group company.

AUDITORS

Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the annual general meeting.

Ernst & Young has stated that, during 2001, it is intending to transfer its business to a limited liability partnership, incorporated under the Limited Liability Partnerships Act 2000, to be called Ernst & Young LLP. If this happens, it is the current intention of the directors to use their statutory powers to treat the appointment of Ernst & Young as extending to Ernst & Young LLP.

By order of the Board

J Tomsett
Director

16 March 2001

Shakespeare Company (UK) Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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 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 accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that the accounts comply with the above requirements.

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. 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.

Report of the auditors to the shareholders of Shakespeare Company (UK) Limited

We have audited the accounts on pages 4 to 12 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

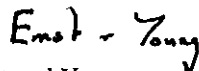
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 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.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst and Young
Registered Auditor
Birmingham

16 March 2001

Shakespeare Company (UK) Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2000

	Note	2000 £	1999 £
TURNOVER	2	8,940,748	8,499,251
Cost of sales		(5,778,889)	(5,460,158)
GROSS PROFIT		<u>3,161,859</u>	<u>3,039,093</u>
Distribution costs		(2,240,963)	(1,969,052)
Administration expenses		(957,670)	(900,628)
Other operating income		102,325	44,452
OPERATING PROFIT	3	<u>65,551</u>	<u>213,865</u>
Interest payable and similar charges	6	<u>(27,511)</u>	<u>(33,043)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>38,040</u>	<u>180,822</u>
Tax on profit on ordinary activities	7	(27,000)	(57,825)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>11,040</u>	<u>122,997</u>
STATEMENT OF RETAINED PROFITS			
Balance at 31 December 1999		2,255,602	2,132,605
Profit for the year		11,040	122,997
Balance at 31 December 2000		<u>2,266,642</u>	<u>2,255,602</u>

RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £11,040 in the year ended 31 December 2000 and of £122,997 in the year ended 31 December 1999.

Shakespeare Company (UK) Limited

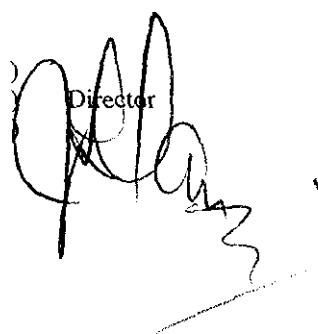
BALANCE SHEET at 31 December 2000

			(Restated)
	Note	2000 £	1999 £
FIXED ASSETS			
Tangible assets	8	137,107	140,251
CURRENT ASSETS			
Stocks	9	1,856,677	1,730,429
Debtors	10	2,435,698	2,384,768
Cash at bank and in hand		32,174	263,031
		<u>4,324,549</u>	<u>4,378,228</u>
CREDITORS - amounts falling due within one year	11	1,334,758	1,407,038
NET CURRENT ASSETS		<u>2,989,791</u>	<u>2,971,190</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,126,898</u>	<u>3,111,441</u>
CREDITORS - amounts falling due after more than one year	13	-	583
PROVISION FOR LIABILITIES AND CHARGES	14	110,256	105,256
TOTAL ASSETS LESS LIABILITIES		<u>3,016,642</u>	<u>3,005,602</u>
CAPITAL AND RESERVES			
Called-up share capital	16	750,000	750,000
Profit and loss account		2,266,642	2,255,602
EQUITY SHAREHOLDERS' FUNDS	17	<u>3,016,642</u>	<u>3,005,602</u>

J Tomsett

Director

16 March 2001



Shakespeare Company (UK) Limited

NOTES ON THE ACCOUNTS

at 31 December 2000

1. ACCOUNTING POLICIES

Basis of preparation

The accounts are prepared in accordance with applicable accounting standards, under the historical cost convention.

Where changes in presentation are made, comparatives are adjusted accordingly.

In accordance with Financial Reporting Standard 12, the provision for pension costs, representing the cumulative difference between pension costs and pension contributions payable, amounting to £105,256 at 31 December 1999 has been reclassified from creditors: amounts due after more than one year to provisions for liabilities and charges.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their useful lives. The capital element of the related rental obligations is included in creditors. The interest element of rentals is charged to the profit and loss account so as to give a constant periodic rate of charge.

Rentals in respect of all other leases are charged to the profit and loss account on a straight line basis over the lease term.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset in equal instalments over its expected useful life as follows:

Leasehold improvements	over the lease term
Plant and machinery	10 years
Office equipment	10 years
Motor vehicles	4 years
Tools and dies	3 years
Computer equipment	4 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or the periods of the leases where these are shorter.

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks and work in progress

Stocks are valued at the lower of cost, on a cumulative average cost basis, and net realisable value after making due allowance for any obsolete or slow moving items. In the case of finished goods and work in progress, cost comprises direct materials, direct labour and an appropriate proportion of manufacturing fixed and variable overheads.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all timing differences to the extent that it is probable that the liability will crystallise.

Pension costs

Pension costs are recognised on a systematic basis so that the costs of providing retirement benefits to employees are evenly matched, so far as is possible, to the service lives of the employees concerned. Any excess or deficiency of the actuarial value of assets over the actuarial value of liabilities of the pension scheme is allocated over the average remaining service lives of current employees.

Shakespeare Company (UK) Limited

NOTES ON THE ACCOUNTS at 31 December 2000

1. ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date the transaction occurs or at the contracted rate if the transaction is covered by a forward exchange contract.

Assets and liabilities denominated in a foreign currency are translated at the balance sheet date at the exchange rate ruling on that day or if appropriate at the forward contract rate. Resulting exchange differences are dealt with in the determination of profit for the financial year.

2. TURNOVER

Turnover represents the value of goods and services supplied by the company exclusive of VAT.

Turnover by geographical market was as follows:

	2000 £	1999 £
UK	8,261,341	7,542,651
Other EC	466,928	611,400
Other Europe	143,866	133,900
Rest of the World	68,613	211,300
	<u>8,940,748</u>	<u>8,499,251</u>

3. OPERATING PROFIT

This is stated after charging

	2000 £	1999 £
Leasehold property rents	107,500	85,000
Depreciation - owned assets	43,823	38,802
- leased assets	10,614	22,501
Auditors' remuneration - audit services	11,500	10,350
- other services	3,850	2,600
Exchange differences	(164)	(1,348)
	<u></u>	<u></u>

4. DIRECTORS' REMUNERATION

	2000 £	1999 £
Remuneration	<u>101,140</u>	<u>89,924</u>

One director was a member of the company's defined benefit pension scheme, until his retirement from the scheme on 30 June 2000.

Shakespeare Company (UK) Limited

NOTES ON THE ACCOUNTS at 31 December 2000

5. STAFF COSTS

	2000 £	1999 £
Wages and salaries	815,668	732,404
Social security costs	62,468	56,413
Pension costs (note 20)	117,317	98,980
	<u>995,453</u>	<u>887,797</u>

The average number of persons employed by the company during the year, including UK based directors, was as follows:

	2000 No	1999 No
Production, warehouse and service	24	23
Administration and selling	16	14
Managerial	6	6
	<u>46</u>	<u>43</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2000 £	1999 £
Bank overdraft	26,505	31,372
Finance charges payable under finance leases and hire purchase contracts	1,006	1,671
	<u>27,511</u>	<u>33,043</u>

7. TAXATION

The charge/(credit) for the year is as follows:

	2000 £	1999 £
Corporation tax	27,000	68,500
Adjustment to prior years corporation tax	-	(10,675)
	<u>27,000</u>	<u>57,825</u>

The taxation charge for the year is increased by £12,790 due to the non-recognition of a deferred tax asset (note 15).

Shakespeare Company (UK) Limited

NOTES ON THE ACCOUNTS at 31 December 2000

8. TANGIBLE FIXED ASSETS

	<i>Leasehold Improvements</i>	<i>Plant and Equipment</i>	<i>Motor Vehicles</i>	<i>Total</i>
	£	£	£	£
Cost				
At 31 December 1999	185,029	196,691	151,874	533,594
Additions	-	10,243	41,560	51,803
Disposals	-	(3,656)	(39,073)	(42,729)
At 31 December 2000	185,029	203,278	154,361	542,668
Depreciation				
At 31 December 1999	112,095	158,157	123,091	393,343
Charge for the year	14,587	13,268	26,582	54,437
Disposals	-	(3,146)	(39,073)	(42,219)
At 31 December 2000	126,682	168,279	110,600	405,561
Net book amount at 31 December 2000	58,347	34,999	43,761	137,107
31 December 1999	72,934	38,534	28,783	140,251

The net book amount of motor vehicles includes £5,576 (1999 - £16,190) in respect of assets held under hire purchase contracts.

9. STOCKS

	2000	1999
	£	£
Raw materials	68,129	110,900
Work in progress	3,056	7,300
Finished goods	1,785,492	1,612,229
	1,856,677	1,730,429

10. DEBTORS

	2000	1999
	£	£
Trade debtors	2,078,416	2,047,146
Prepayments	136,962	108,046
Amounts due from parent and fellow subsidiary undertakings	220,320	229,576
	2,435,698	2,384,768

Shakespeare Company (UK) Limited

NOTES ON THE ACCOUNTS at 31 December 2000

11. CREDITORS: amounts falling due within one year

	2000	1999
	£	£
Bank overdraft	93,097	-
Obligations under finance leases and hire purchase contracts	583	7,140
Trade creditors	403,988	359,747
Corporation tax	7,595	68,500
Other taxation and social security	186,029	249,972
Accruals and deferred income	133,711	146,884
Amounts owing to fellow subsidiary undertakings	509,755	574,795
	<u>1,334,758</u>	<u>1,407,038</u>

12. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	2000	1999
	£	£
Amounts payable:		
Within one year	588	7,603
Within two to five years	-	583
	<u>588</u>	<u>8,186</u>
Less: finance charges allocated to future periods	(5)	(463)
	<u>583</u>	<u>7,723</u>

Finance leases and hire purchase contracts are analysed as follows:

	2000	1999
	£	£
Current obligations	583	7,140
Non-current obligations	-	583
	<u>583</u>	<u>7,723</u>

13. CREDITORS: amounts falling due after more than one year

	2000	1999
	£	£
Obligations under finance leases and hire purchase contracts	-	583

Shakespeare Company (UK) Limited

NOTES ON THE ACCOUNTS at 31 December 2000

14. PROVISION FOR LIABILITIES AND CHARGES

Pension costs

	<i>(Restated)</i> £
At 1 January 2000	105,256
Charge for the year	117,317
Pension contributions paid	(112,317)
At 31 December 2000	<u>110,256</u>

15. DEFERRED TAXATION

In accordance with the accounting policy detailed in note 1 no provision for deferred taxation is required.

The full potential deferred taxation asset not provided is as follows:

	2000 £	1999 £
Capital allowances in advance of depreciation	(11,142)	(9,142)
Other timing differences	(55,241)	(44,451)
	<u>(66,383)</u>	<u>(53,593)</u>

16. CALLED UP SHARE CAPITAL

	<i>Authorised 1999 and 2000 £</i>	<i>Allotted and fully paid 1999 and 2000 £</i>
Ordinary shares of £1 each	2,000,000	750,000

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £	1999 £
At 31 December 1999	3,005,602	2,882,605
Profit for the year	11,040	122,997
At 31 December 2000	<u>3,016,642</u>	<u>3,005,602</u>

Shakespeare Company (UK) Limited

NOTES ON THE ACCOUNTS at 31 December 2000

18. FINANCIAL COMMITMENTS

The annual commitment under non cancellable operating leases was as follows:

	<i>Land and buildings</i>	
	<i>2000</i>	<i>1999</i>
	£	£
Expiring after more than 5 years	107,500	85,000

The lease for land and buildings is subject to regular rent review.

19. CAPITAL COMMITMENTS

At 31 December 2000 there were no contracted capital commitments (1999: nil)

20. COMMITMENTS TO PENSION FUND

The company operates a defined benefit pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company, being invested in managed funds. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 1 January 2000. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that pre-retirement investment returns would be 2% per annum in excess of the rate of annual salary increases, that post-retirement investment returns would be 5% per annum and that present and future pensions would increase at the rate of 3% per annum.

The actuarial valuation at 1 January 2000 showed that the market value of the scheme's assets was £2,229,000 and that the value of those assets represented 88% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The pension charge for the year was £117,317 (1999 - £98,980). This is after taking account of a cost of £29,707 (1999 - credit of £7,383) in respect of the amortisation of variations that are being recognised over 12 years, the average remaining services lives of employees.

A provision of £110,256 (1999 - £105,256) is included within provisions for liabilities and charges which represents the difference between contributions paid and the regular pension cost.

21. RELATED PARTY DISCLOSURE

The company has taken advantage of the exemption in paragraph 3(c) of FRS 8, from disclosing transactions with related parties that are part of the K2 Group or investees of the Group. There were no other material related party transactions during the year.

22. ULTIMATE PARENT UNDERTAKING

The immediate holding undertaking is Shakespeare International Limited, a company registered in England and Wales which prepares group accounts. Copies of the accounts of Shakespeare International Limited are available from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

The ultimate holding undertaking is K2 Inc, a company incorporated in the United States of America. The results of the company are included within the group accounts prepared by K2 Inc., which can be obtained from K2 Inc., 4500 South Eastern Avenue, Los Angeles, California CA 90040, USA.