

**Deloitte &  
Touche**

Deloitte Touche  
Tohmatsu  
International



Company Registration No. 2355933

**TREK BICYCLE CORPORATION  
LIMITED**

**Report and Financial Statements**

**30 September 1996**

**Deloitte & Touche**  
Verulam Point  
Station Way  
St Albans  
Hertfordshire  
AL1 5HE



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**REPORT AND FINANCIAL STATEMENTS 1996**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

T Albers (USA)

R Burke (USA)

**SECRETARY**

T Albers

**REGISTERED OFFICE**

15 Old Bridge Way  
Shefford  
Bedfordshire  
SG17 5HQ

**BANKERS**

Barclays Bank plc

**SOLICITORS**

Theodore Goddard

**AUDITORS**

Deloitte & Touche  
Chartered Accountants  
Verulam Point  
Station Way  
St Albans  
Hertfordshire  
AL1 5HE

**DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 30 September 1996.

**ACTIVITIES**

Trek Bicycle Corporation Limited is engaged in the wholesale distribution of Trek mountain and racing bicycles as well as related parts and accessories.

**REVIEW OF DEVELOPMENTS**

The Company made a profit after taxation of £248,904 (1995: £203,113) which has been transferred to reserves.

**DIVIDENDS AND TRANSFERS TO RESERVES**

The directors do not recommend the payment of a dividend (1995 - £nil).

**FUTURE PROSPECTS**

The directors believe that the company is well placed to continue trading profitably.

**FIXED ASSETS**

Details of the company's investment in fixed assets appear in note 7 to the financial statements.

**DIRECTORS AND THEIR INTERESTS**

The directors who served throughout the year were as set out on page 1.

None of the directors held any interest, as defined by the Companies Act 1985, in the shares of the company.

**AUDITORS**

A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

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

Secretary  
T ALBERS

9 Apr. 1997

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company Law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company 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;
- 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 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 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.



## Chartered Accountants

Deloitte & Touche  
Verulam Point  
Station Way  
St Albans  
Hertfordshire AL1 5HE

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## TREK BICYCLE CORPORATION LIMITED

### AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

#### Respective responsibilities of directors and auditors

As described on page 3 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 at 30 September 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and  
Registered Auditors

24 April 1997.


**PROFIT AND LOSS ACCOUNT**  
**Year ended 30 September 1996**

	Note	1996 £	1995 £
<b>TURNOVER</b>	2	7,283,263	5,863,052
Cost of sales		(5,624,182)	(4,497,949)
Gross profit		1,659,081	1,365,103
Distribution costs		(869,594)	(774,534)
Administrative expenses		(352,765)	(239,969)
<b>OPERATING PROFIT</b>		436,722	350,600
Interest receivable		19,861	9,322
Interest payable and similar charges	5	(100,568)	(116,650)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	3	356,015	243,272
Tax on profit on ordinary activities	6	(107,111)	(40,159)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		248,904	203,113
<b>RETAINED PROFIT/(LOSS) BROUGHT FORWARD</b>		98,611	(104,502)
<b>RETAINED PROFIT CARRIED FORWARD</b>		347,515	98,611

All turnover and expenses have been derived from continuing operations.

A Statement of Total Recognised Gains & Losses has not been prepared as there have not been any recognised gains or losses other than the profit for the current and preceding year.

A Statement of Reconciliation of Movements in Shareholders' Funds is provided at Note 15.


**BALANCE SHEET**
**Year ended 30 September 1996**

	Note	1996 £	1995 £
<b>FIXED ASSETS</b>			
Tangible assets	7	61,550	74,220
<b>CURRENT ASSETS</b>			
Stocks	8	704,085	855,585
Debtors	9	1,949,135	1,843,290
Cash at bank and in hand		256,674	309,424
		<u>2,909,894</u>	<u>3,008,299</u>
<b>CREDITORS: amounts falling due within one year</b>	10	(1,823,349)	(2,172,354)
<b>NET CURRENT ASSETS</b>		<u>1,086,545</u>	<u>835,945</u>
<b>TOTAL ASSETS LESS CURRENT ASSETS</b>		1,148,095	910,165
<b>CREDITORS: amounts falling due after more than one year</b>	12	(1,253)	(12,227)
		<u>1,146,842</u>	<u>897,938</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14		
Equity shareholdings		99,327	99,327
Non-equity shareholdings		700,000	700,000
Profit and loss account		347,515	98,611
		<u>1,146,842</u>	<u>897,938</u>

These financial statements were approved by the Board of Directors on

9 Apr 1997

Signed on behalf of the Board of Directors

Director

T ALBERS




**NOTES TO THE ACCOUNTS**  
**Year ended 30 September 1996**
**1. ACCOUNTING POLICIES**

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

**Accounting convention**

The financial statements are prepared under the historical cost convention.

**Tangible fixed assets**

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Motor vehicles	25% per annum
Fixtures, fittings, tools and equipment	Between 10% and 33% per annum

**Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost represents materials, freight and duty.

**Leases**

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The amounts by which the lease payments exceed the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation.

Rental costs under operating leases are charged to profit and loss account in annual amounts over the periods of the leases.

**Foreign exchange**

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

**2. TURNOVER**

Turnover consists of amounts invoiced to customers, net of Value Added Tax, and arises principally in the United Kingdom.

**3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

Profit on ordinary activities before taxation is after charging:

	1996	1995
	£	£
Other operating leases	85,143	32,364
Loss on disposal of fixed assets	3,624	1,178
Exchange (gain)/loss	26,318	(97,495)
Depreciation		
- owned assets	15,913	6,054
- leased assets	10,109	19,112
Auditors' remuneration		
- audit fees	9,450	9,000
- non audit fees	2,650	2,500
	<u>2,650</u>	<u>2,500</u>


**NOTES TO THE ACCOUNTS**

Year ended 30 September 1996

**4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

None of the directors received any fees or emoluments during the year (1995 : £nil).

	1996 £	1995 £
	No	No
Average number of persons employed		
Sales and distribution	10	8
Administration	7	5
	<u>17</u>	<u>13</u>
	£	£
Staff costs during the year		
Wages and salaries	422,202	301,899
Social security costs	40,251	29,701
	<u>462,453</u>	<u>331,600</u>

**5. INTEREST PAYABLE AND SIMILAR CHARGES**

	1996 £	1995 £
Finance leases and hire purchase contracts	2,268	5,195
In respect of amounts owed to parent company	98,300	111,455
	<u>100,568</u>	<u>116,650</u>

**6. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	1996 £	1995 £
United Kingdom corporation tax at 33% (1995 - 33%) based on the profit for the year	114,496	40,159
Adjustment in respect of prior years	(7,385)	-
	<u>107,111</u>	<u>40,159</u>


**NOTES TO THE ACCOUNTS**  
**Year ended 30 September 1996**
**7. TANGIBLE FIXED ASSETS**

	Motor vehicles £	Fixtures, fittings, tools and equipment £	Total £
Cost			
At 1 October 1995	79,032	92,879	171,911
Additions	-	31,880	31,880
Disposals	(40,033)	(12,570)	(52,603)
At 30 September 1996	38,999	112,189	151,188
Accumulated depreciation			
At 1 October 1995	26,805	70,886	97,691
Charge for the year	13,645	12,557	26,202
Disposals	(21,685)	(12,570)	(34,255)
At 30 September 1996	18,765	70,873	89,638
Net book value			
At 30 September 1996	20,234	41,316	61,550
At 1 October 1995	52,227	21,993	74,220

The net book value of assets held under finance leases at 30 September 1996 was £16,072 (1995:£52,227)

**8. STOCKS**

	1996 £	1995 £
Finished goods and goods for resale	704,085	855,585

The replacement cost of stock was not significantly different from the values shown above.

**9. DEBTORS**

	1996 £	1995 £
Trade debtors	1,878,988	1,650,588
Amounts owed by fellow subsidiaries	4,652	11,521
Prepayments and accrued income	65,495	62,344
Corporation tax recoverable	-	118,837
	1,949,135	1,843,290


**NOTES TO THE ACCOUNTS**
**Year ended 30 September 1996**
**10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	1996 £	1995 £
Trade creditors	64,509	50,027
Obligations under finance leases	14,287	29,121
Amounts owed to fellow subsidiaries	1,209,850	1,797,451
Other creditors including taxation and social security	299,922	174,911
Corporation tax payable	114,496	-
Accruals and deferred income	120,285	120,844
	<u>1,823,349</u>	<u>2,172,354</u>

**11. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY**

Included under this heading is:

	1996 £	1995 £
Taxation and social security	<u>275,643</u>	<u>118,593</u>

**12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	1996 £	1995 £
Obligations under finance leases	<u>1,253</u>	<u>12,227</u>


**NOTES TO THE ACCOUNTS**  
**Year ended 30 September 1996**
**13. FINANCIAL COMMITMENTS**

	1996 £	1995 £
<b>Obligations under finance leases and hire purchase contracts</b>		
Minimum lease payments due:		
Within one year	14,287	29,121
Within two to five years	1,253	12,227
	<u>15,540</u>	<u>41,348</u>

**Operating lease commitments**

At 30 September 1996 the company was committed to making the following payments during the next year in respect of operating leases which expire:-

	Other Leases £	Land and Buildings £
In less than one year	13,220	-
In one to two years	21,714	-
After more than five years	-	31,925
	<u>34,934</u>	<u>31,925</u>

**14. CALLED UP SHARE CAPITAL**

	1996 £	1995 £
Authorised share capital	<u>800,000</u>	<u>800,000</u>
Called up, allotted and fully paid:		
99,327 ordinary shares of £1 each	99,327	99,327
175,000 'A' redeemable preference shares of £1 each	175,000	175,000
175,000 'B' redeemable preference shares of £1 each	175,000	175,000
175,000 'C' redeemable preference shares of £1 each	175,000	175,000
175,000 'D' redeemable preference shares of £1 each	175,000	175,000
	<u>799,327</u>	<u>799,327</u>

The redeemable preference shares are redeemable at par at any time at the discretion of the directors.



**NOTES TO THE ACCOUNTS**  
**Year ended 30 September 1996**

**15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<b>1996</b>	<b>1995</b>
	<b>£</b>	<b>£</b>
Profit for the financial year	248,904	203,113
Capital subscribed	-	-
Net addition	248,904	203,113
Opening shareholders funds	897,938	694,825
Closing shareholders funds	1,146,842	897,938