

SHAKESPEARE MONOFILAMENT UK LIMITED

Report and Accounts

31 December 2002

 ERNST & YOUNG



# Shakespeare Monofilament UK Limited

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Registered No. 2452908

## **DIRECTORS**

R M Rodstein	(USA)	Resigned 11 October 2002
J J Rangel	(USA)	
D Crawford	(USA)	
R J Heckmann	(USA)	Appointed 11 October 2002

## **SECRETARY**

D Crawford

## **AUDITORS**

Ernst & Young LLP  
Silkhouse Court  
Tithebarn Street  
Liverpool  
L2 2LE

## **SOLICITORS**

Banks Wilson  
6-8 Chapel Street  
Preston  
PR1 8AN

## **BANKERS**

Barclays Bank PLC  
2/4 Birley Street  
Blackpool  
FY1 1DX

## **REGISTERED OFFICE**

Enterprise Way  
off Venture Road  
Fleetwood  
FY7 8RY

# Shakespeare Monofilament UK Limited

## DIRECTORS' REPORT

The directors submit their report and the accounts for the year ended 31 December 2002.

### RESULTS AND DIVIDENDS

The profit on ordinary activities, after taxation, amounted to £817,053 (2001: £1,047,759). The directors do not recommend the payment of a dividend.

### PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity during the year continued to be the manufacture of monofilaments. The company had a successful year and growth in turnover and profits is expected in the future.

### DIRECTORS AND THEIR INTERESTS

The directors of the company who served during the year and changes since the end of the year were as follows:

R M Rodstein	(USA)	Resigned 11 October 2002
J J Rangel	(USA)	
D Crawford	(USA)	
R J Heckmann	(USA)	Appointed 11 October 2002

None of the directors had any disclosable interests in the share capital of group companies during the year.

### AUDITORS

A resolution to re-appoint Ernst & Young LLP as the company's auditor will be put to the forthcoming Annual General Meeting.

By order of the Board



D Crawford  
Secretary

Date: 15/8/03

## Shakespeare Monofilament UK Limited

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### 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; and
- prepare the accounts 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 accounts 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SHAKESPEARE  
MONOFILAMENT UK LIMITED**

We have audited the company's financial statements for the year ended 31 December 2002 which comprise Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses and the related notes 1 to 16. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Ernst + Young LLP*

Ernst & Young LLP

Registered Auditor

Liverpool

Date *29 September 2003*

# Shakespeare Monofilament UK Limited

## PROFIT AND LOSS ACCOUNT for the year ended 31 December 2002

	Notes	2002 £	2001 £
<b>TURNOVER</b>	2	8,192,066	7,853,639
Cost of sales		6,025,601	5,568,763
<b>GROSS PROFIT</b>		2,166,465	2,284,876
Distribution costs		252,924	260,037
Administrative expenses		716,202	483,816
Product development expenditure		40,466	41,232
		1,009,592	785,085
<b>OPERATING PROFIT</b>	3	1,156,873	1,499,791
Interest receivable		17,199	2,401
Interest payable	5	(1,543)	(1)
		15,656	2,400
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		1,172,529	1,502,191
Tax on profit on ordinary activities	6	355,476	454,432
<b>RETAINED PROFIT FOR THE FINANCIAL YEAR</b>	13	817,053	1,047,759

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There were no recognised gains or losses except as shown above.

# Shakespeare Monofilament UK Limited

## BALANCE SHEET

at 31 December 2002

	Notes	2001 £	2000 £
<b>FIXED ASSETS</b>			
Tangible assets	7	2,477,237	2,602,140
<b>CURRENT ASSETS</b>			
Stocks	8	1,297,022	1,177,423
Debtors	9	3,665,188	2,750,956
Cash at bank and in hand		62,099	141,787
		5,024,309	4,070,166
<b>CREDITORS: amounts falling due within one year</b>	10	991,936	971,299
<b>NET CURRENT ASSETS</b>		4,032,373	3,098,867
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		6,509,610	5,701,007
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Deferred taxation	11	311,700	320,150
		6,197,910	5,380,857
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	1,254,943	1,254,943
Profit and loss account	13	4,942,967	4,125,914
Shareholders' funds			
- equity		4,942,969	4,125,916
- non-equity		1,254,941	1,254,941
		6,197,910	5,380,857

Approved by the Board on 15 August 2003

Director



# Shakespeare Monofilament UK Limited

## NOTES TO THE ACCOUNTS at 31 December 2002

### 1. ACCOUNTING POLICIES

#### *Accounting convention*

The accounts are prepared under the historical cost convention in accordance with applicable accounting standards. In preparing the accounts, the company has adopted FRS 18 'Accounting Policies'. Adoption of this standard has not required any revision to the accounts in either the current or prior year.

The company is exempt from the requirement of FRS 1 (revised) 'Cash Flow Statements' to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of K2 Inc.

The directors have taken advantage of the exemption under paragraph 3(c) of FRS 8 'Related Party Disclosures' and have not disclosed details of transactions with group companies as they are a wholly owned subsidiary undertaking of K2 Inc. The consolidated accounts of K2 Inc. are publicly available from the address given in note 16 to the accounts.

#### *Depreciation*

Depreciation is provided on all tangible fixed assets, except freehold land, at rates calculated to write off the cost, less residual value, based on prices prevailing at the date of acquisition, of each asset over its expected useful life by equal annual instalments, as follows:

Freehold buildings	-	50 years
Plant and machinery	-	5 to 20 years
Office equipment	-	3 years

#### *Foreign currencies*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

#### *Product development*

Product development expenditure is written off as it is incurred.

#### *Stocks*

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition and net realisable value as follows:

Raw materials	-	purchase cost on a first-in, first-out basis;
Finished goods	-	cost of direct materials and labour plus attributable overheads based on the normal level of activity.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

#### *Deferred taxation*

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

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the

# Shakespeare Monofilament UK Limited

## NOTES TO THE ACCOUNTS

at 31 December 2002

balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

### *Leasing commitments*

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

### *Pension costs*

The company makes contributions to defined contribution employee personal pension plans. Employer's contributions are charged to the profit and loss account as they are incurred.

## 2. TURNOVER

Turnover represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities, and is stated net of value added tax.

An analysis of turnover by geographical area is as follows:

	2002 £	2001 £
United Kingdom	1,931,388	2,126,362
Other EC Countries	3,575,643	3,368,906
Rest of Europe	422,803	406,248
Far East	1,895,526	1,616,070
Australasia	342,187	250,518
USA	24,519	85,535
	<u>8,192,066</u>	<u>7,853,639</u>

## 3. OPERATING PROFIT

This is stated after charging/(crediting):-

	2002 £	2001 £
Directors' remuneration	-	-
Auditors' remuneration	10,000	10,000
Depreciation of owned tangible fixed assets	283,447	233,748
Operating lease rentals - plant and machinery	15,739	16,869
Exchange losses/(gains)	179,631	(29,224)
	<u>498,817</u>	<u>331,393</u>

# Shakespeare Monofilament UK Limited

## NOTES TO THE ACCOUNTS at 31 December 2002

### 4. STAFF COSTS

	2002 £	2001 £
Wages and salaries	843,644	797,530
Social security costs	88,392	85,691
Other pension costs	75,467	75,219
	<u>1,007,503</u>	<u>958,440</u>

The average monthly number of persons employed in the year (excluding directors) was as follows:

	2002 No.	2001 No.
Manufacturing	20	19
Office and management	8	9
	<u>28</u>	<u>28</u>

### 5. INTEREST PAYABLE

	2002 £	2001 £
Bank overdraft	1,543	1
	<u>1,543</u>	<u>1</u>

### 6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002 £	2001 £
<b>a) Tax on profit on ordinary activities</b>		
UK corporation tax on profits of the period	359,628	448,918
Adjustments in respect of previous periods	4,298	(894)
<b>TOTAL CURRENT TAX</b>	<u>363,926</u>	<u>448,024</u>
<b>Deferred tax</b>		
Originating and reversal of timing differences	(8,450)	6,408
<b>TOTAL DEFERRED TAX (NOTE 11)</b>	<u>(8,450)</u>	<u>6,408</u>
	<u>355,476</u>	<u>454,432</u>

# Shakespeare Monofilament UK Limited

## NOTES TO THE ACCOUNTS

at 31 December 2002

### 6. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

#### b) Factors affecting the tax charge for the period

The tax assessed on the profit on ordinary activities for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2002 £	2001 £
Profit on ordinary activities before tax	1,172,529	1,502,191
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	351,759	450,657
Effect of:		
Disallowed expenses and non-taxable income	550	6,000
Depreciation in excess of capital allowances	13,319	(6,207)
Adjustments in respect of previous periods	4,298	(894)
Other timing differences	(6,000)	(1,532)
Current tax charge for the period	363,926	448,024

### 7. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant and machinery £	Office equipment £	Total £
Cost:				
At 1 January 2002	1,017,170	3,362,416	44,165	4,423,751
Additions	-	168,987	4,411	173,398
Disposals	-	(69,891)	-	(69,891)
At 31 December 2002	1,017,170	3,461,512	48,576	4,527,258
Depreciation:				
At 1 January 2002	112,282	1,694,562	14,767	1,821,611
Provided during the year	17,283	259,860	6,304	283,447
Disposals	-	(55,037)	-	(55,037)
At 31 December 2002	129,565	1,899,385	21,071	2,050,021
Net book value:				
At 31 December 2002	887,605	1,562,127	27,505	2,477,237
At 31 December 2001	904,888	1,667,854	29,398	2,602,140

# Shakespeare Monofilament UK Limited

## NOTES TO THE ACCOUNTS

at 31 December 2002

### 8. STOCKS

	2002	2001
	£	£
Raw materials	388,575	324,882
Finished goods	908,447	852,541
	<u>1,297,022</u>	<u>1,177,423</u>

### 9. DEBTORS

	2002	2001
	£	£
Trade debtors	1,395,405	1,370,893
Prepayments	88,689	85,316
Amounts owed by group companies	2,181,094	1,294,747
	<u>3,665,188</u>	<u>2,750,956</u>

### 10. CREDITORS: amounts falling due within one year

	2002	2001
	£	£
Trade creditors	590,810	514,190
Other taxes and social security costs	26,843	42,298
Corporation tax	199,140	239,956
Accruals	175,143	174,855
	<u>991,936</u>	<u>971,299</u>

# Shakespeare Monofilament UK Limited

## NOTES TO THE ACCOUNTS at 31 December 2002

### 11. PROVISION FOR DEFERRED TAX

The movements in deferred taxation during the current and previous years is as follows:

	£	
At 1 January 2002		320,150
Movement in the year		(8,450)
At 31 December 2002		311,700
The deferred tax consists of:		
	2002	2001
	£	£
Accelerated capital allowances	311,621	324,939
Other timing differences	79	(4,789)
<b>UNDISCOUNTED DEFERRED TAX LIABILITY</b>	<b>311,700</b>	<b>320,150</b>

### 12. SHARE CAPITAL

	2002	Authorised	Allotted, called up and fully paid	
	No.	No.	2002	2001
			£	£
Ordinary shares of £1 each	1,000	1,000	2	2
Redeemable preference shares of £1 each	1,254,941	1,254,941	1,254,941	1,254,941
	1,255,941	1,255,941	1,254,943	1,254,943

The preference shares are redeemable at any time after 1 January 2001, with not less than three months notice in writing. They carry a dividend of 0% per annum.

The preference shareholders are not entitled to attend or vote at any general meeting or other meetings of the company.

# Shakespeare Monofilament UK Limited

## NOTES TO THE ACCOUNTS

at 31 December 2002

### 13. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<i>Share capital £</i>	<i>Profit and loss account £</i>	<i>Total £</i>
At 31 December 2000	1,254,943	3,078,155	4,333,098
Profit for the year	-	1,047,759	1,047,759
At 31 December 2001	1,254,943	4,125,914	5,380,857
Profit for the year	-	817,053	817,053
At 31 December 2002	1,254,943	4,942,967	6,197,910

### 14. PENSION COMMITMENTS

The company makes contributions to employee personal pension plans which are defined contribution schemes. The cost is charged directly to the profit and loss account.

### 15. OTHER FINANCIAL COMMITMENTS

The company had annual commitments under non-cancellable operating leases for plant and machinery, as follows:

	<i>2002 £</i>	<i>2001 £</i>
Operating leases which expire within two to five years	11,104	15,446

### 16. ULTIMATE HOLDING COMPANY AND CONTROLLING PARTY

The immediate holding company is Shakespeare International Limited. The ultimate holding company and controlling party is K2 Inc., a company incorporated in the USA, the accounts of which can be obtained from K2 Inc. 2051 Palomar Airport Road, Carlsbad, CA 92009, USA.