Registered No: SC241463

Proquip Holdings Limited

Report and Financial statements

31 January 2009

Contents

Officers and professional advisers	3
Directors' report	4
Statement of directors' responsibilities	5
Auditors' report	6
Group profit and loss account	7
Group statement of total recognised gains and losses	7
Group balance sheet	8
Company balance sheet	9
Notes to the financial statements	10

Officers and professional advisers

DIRECTORS
P E Day
D O Houston

SECRETARY
J Carruthers

AUDITORS
KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

BANKERS
Barclays Bank plc
77 Albion Street
Leeds
LS1 5LD

SOLICITORS
Maclay Murray & Spens
151 St Vincent Street
Glasgow
G2 5NJ

REGISTERED OFFICE
Waverley Mills
Langholm
Dumfriesshire
DG13 0EB

Directors' report

The directors present their report and financial statements for the year ended 31 January 2009.

Principal activities

The principal activities of the group during the period were the design and manufacture of golf weatherwear.

On 14 August 2009 the whole of the share capital of Proquip Holdings Limited (the parent undertaking), was acquired by Proquip Group Limited.

Proquip Group Limited is a wholly owned subsidiary of The Edinburgh Woollen Mill (Group) Limited, the ultimate parent company.

Results and dividends

The consolidated loss for the year, after taxation, is £330,979 (2008: loss of £64,372). The directors do not recommend the payment of a dividend and propose that the loss be transferred to reserves.

Directors and their interests

The directors who held office during the period were as follows:-

Simon Glasgow	(resigned 14 July 2009)
Aidan Creedon	(resigned 14 August 2009)
Richard Head	(resigned 14 August 2009)

D O Houston was appointed as a director on 14 July 2009.
P E Day was appointed as a director on 14 August 2009.

Subsequent events

Following 31 January 2009, the company changed its accounting reference date to 31 August.

Directors' statement as to disclosure of information to auditors

The directors who held office at the date of this directors' report confirm that, so far as they are each aware, there is no relevant information of which the company's auditors are unaware and each director has taken all the necessary steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of such information.

By order of the Board

J Carruthers
Secretary

10 March 2010

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the group and the company 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 UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Proquip Holdings Limited (Registered No SC241463)

We have audited the group and parent company statements (the "financial statements") of Proquip Holdings Limited for the year ended 31 January 2009 which comprise the Group Profit and Loss Account, the Statement of total recognised gains and losses, the Group Balance Sheet and the Company Balance Sheet and the related notes. These financial statements have been prepared under 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 the director and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 January 2009 and of the group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and
- the information given in the directors' report is consistent with the financial statements.

KPMG LLP

KPMG LLP
Chartered Accountants, Registered Auditor
Edinburgh

10 March 2010

Group profit and loss account

	Note	2009	2008
		£	£
Turnover	2	2,010,230	2,949,873
Cost of sales		(1,325,337)	(1,778,358)
Gross profit		684,893	1,171,515
Distribution expenses		(97,288)	(124,366)
Administrative expenses		(875,538)	(1,061,916)
Operating loss	3	(287,933)	(14,767)
Interest payable and similar charges	6	(43,046)	(49,605)
Loss on ordinary activities before taxation		(330,979)	(64,372)
Tax on loss on ordinary activities	7	-	-
Retained loss for the year		(330,979)	(64,372)

The results for the year relate to continuing activities.

Statement of total recognised gains and losses

There were no recognised gains or losses in the year other than the loss attributable to the shareholders.

Group balance sheet
at 31 January 2009

	Note	2009 £	2008 £
Fixed assets			
Intangible assets	8	-	-
Tangible assets	10	18,813	30,828
		18,813	30,828
Current assets			
Stocks	11	262,080	197,171
Debtors	12	249,059	398,625
		511,139	595,796
Creditors: amounts falling due within one year	14	(706,383)	(472,076)
Net current (liabilities)/assets		(195,244)	123,720
Net (liabilities)/assets		(176,431)	154,548
Capital and reserves			
Called up share capital	15	1,500,601	1,500,601
Share Premium	16	2,823,386	2,823,386
Profit and loss account	16	(4,500,418)	(4,169,439)
Equity shareholders' (deficit)/funds	16	(176,431)	154,548

These financial statements were approved by the Board of Directors on 10 March 2010 and signed on their behalf by

David Houston
Director

Company Balance sheet

at 31 January 2009

	Note	2009	2008
		£	£
Fixed assets			
Investments	9	2	2
Current assets			
Debtors	12	3,624,639	3,729,651
Creditors: amounts falling due within one year	14	(500)	(103,742)
Net current assets		3,624,139	3,625,909
Net assets		3,624,141	3,625,911
Capital and reserves			
Called up share capital	15	1,500,601	1,500,601
Share Premium	16	2,823,386	2,823,386
Profit and loss account	16	(699,846)	(698,076)
Equity shareholders funds	16	3,624,141	3,625,911

These financial statements were approved by the Board of Directors on 10 March 2010 and signed on their behalf by

D. Houston

David Houston
Director

Notes to the financial statements

for the year ended 31 January 2009

1. Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention, in accordance with applicable accounting standards, and on a going concern basis which the directors consider to be appropriate. The group has net current liabilities and a deficiency of net assets at 31 January 2009. However, the ultimate parent company has agreed to provide financial support as necessary to enable it to operate as a going concern for at least twelve months from the date of approval by these financial statements or, if shorter, for as long as the company remains a wholly owned subsidiary of the ultimate parent company.

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of Consolidation

The group financial statements consolidate the financial statements of Proquip Holdings Limited and all its subsidiary undertakings drawn up to 31st January each year. No profit and loss account is presented for Proquip Holdings Limited as permitted by section 230 of the Companies Act 1985.

Goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities. Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial period following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Intangible assets

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition, subject to the constraint that, unless the asset has a readily ascertainable market value, the fair value is limited to an amount that does not create or increase any negative goodwill arising on the acquisition. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred.

Intangible assets are amortised on a straight line basis over their estimated useful lives up to a maximum of 20 years. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

The company's policy is to provide depreciation at rates which are calculated to write off cost of the assets by equal annual instalments over their expected useful lives as follows:

Buildings	over 50 years
Plant and equipment	over 4 years
Motor vehicles	over 4 years

Freehold land is not depreciated.

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

Notes to the financial statements

for the year ended 31 January 2009

1. Accounting policies (continued)

Revenue Recognition

Revenue is recognised to the extent that the group obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must be met before revenue is recognised

•

Sale of goods

Revenue from the sales of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on despatch of the goods.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or right to pay less, tax in future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised by the Directors if they consider it more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the financial statements, which are capable of reversal in one or more subsequent periods.

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

Stocks and work in progress

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

Raw materials	-	purchase cost on first-in, first-out basis
Work in progress and finished goods	-	cost of direct materials and labour plus attributable production overheads based on the normal level of activity

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.

Operating leases

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

Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of scheme.

Dividends on shares presented within equity

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Goodwill

Goodwill arising on acquisitions is amortised by equal instalments over its estimated useful economic life, taking into account the nature of the business acquired.

Notes to the financial statements

for the year ended 31 January 2009

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties.

An analysis of turnover by geographical market is as follows:

	2009	*2008*
Continuing Operations:	£	£
United Kingdom	1,806,094	2,529,466
Europe	166,620	385,297
United States of America	18,916	21,260
Australasia	18,600	3,400
South Africa	-	10,450
	2,010,230	2,949,873

3. Operating loss

	2009	*2008*
Continuing Operations:	£	£
This is stated after charging/(crediting):		
Depreciation of owned fixed assets	12,015	17,007
Royalties receivable	(83,650)	(117,324)
Auditors' remuneration - audit services	9,000	21,000
Operating lease rentals – plant & machinery	4,212	3,439
- other	20,306	22,618

4. Staff costs

	2009	*2008*
	£	£
Wages and salaries	419,676	465,998
Social security costs	40,818	46,252
Other pension costs	37,435	47,199
	497,929	559,449

The monthly average number of employees including directors during the year was as follows:

	2009	*2008*
	No.	*No.*
Office and management	12	13
Sales and distribution	5	6
	17	19

Notes to the financial statements

for the year ended 31 January 2009

5. Directors' remuneration

	2009 £	2008 £
Total emoluments excluding pension contributions	115,859	156,074
Contributions paid to defined contribution pension schemes	23,459	29,719
Directors' emoluments	139,318	185,793

	2009 No.	2008 No.
The number of directors at the period end eligible for each scheme was as follows:		
- defined contribution pension scheme	2	2

Included in the above are directors' fees paid to Zenzikka Enterprises Limited in respect of the services of S Glasgow of £14,000 (2008: £42,000). Zenzikka Enterprises Limited is a related party of the company as it is controlled by S Glasgow.

6. Interest payable and similar charges

	2009 £	2008 £
Bank loans and overdrafts	43,046	49,605

7. Tax on loss on ordinary activities

(a) Analysis of tax on loss on ordinary activities for the year

	2009 £	2008 £
Current tax:		
UK corporation tax on loss of the year	-	-

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is different to the standard rate of corporation tax in the UK due to the following:

	2009 £	2008 £
Loss on ordinary activities before tax	(330,981)	(64,372)
Loss on ordinary activities multiplied by effective rate of corporation tax in the UK of 20.83% (2008 30%)	(68,943)	(19,312)
Effect of:		
Expenses not deductible for tax purposes/non taxable income	1,586	10,102
Depreciation in excess of capital allowances	2,503	650
Other timing differences	1,846	(460)
Unrelieved tax losses carried forward	63,008	9,020
Total current tax	-	-

Notes to the financial statements

for the year ended 31 January 2009

7. Tax on loss on ordinary activities (continued)

(c) Factors that may affect future tax charges

The group has an unrecognised deferred tax asset of £901,856 (2008: £1,201,713) comprised mainly of trading losses. The asset has not been recognised as it is not certain that the asset will reverse in the foreseeable future.

8. Intangible fixed assets

Group

	Goodwill £	*Registrations & Trademarks* £	*Total* £
Cost:			
At 1 February 2008 and 31 January 2009	2,961,473	8,000	2,969,473
Amortisation:			
At 1 February 2008 and 31 January 2009	(2,961,473)	(8,000)	(2,969,473)
Net book value:			
At 31 January 2008 and 31 January 2009	-	-	-

9. Investments

	2009 £	*2008* £
Cost and Net book value at 31 January 2008 and 31 January 2009	2	2

Proquip Holdings Limited holds the entire ordinary share capital of Proquip Limited and Proquip IP Limited, companies registered in Scotland.

Notes to the financial statements

for the year ended 31 January 2009

10. Tangible fixed assets

Group	*Plant and machinery*
	£
Cost:	
At 1 February 2008 and 31 January 2009	119,561
Depreciation:	
At 1 February 2008	(88,733)
Charge for the year	(12,015)
At 31 January 2009	(100,748)
Net book value	
At 31 January 2009	18,813
At 31 January 2008	30,828

11. Stock

Group	*2009*	*2008*
	£	*£*
Finished goods	262,080	197,171

12. Debtors

	Group		*Company*	
	2009	*2008*	*2009*	*2008*
	£	*£*	*£*	*£*
Amounts falling due within one year:				
Trade debtors	218,641	368,924	-	-
Prepayments and accrued income	30,418	29,701	601	601
Amounts due from subsidiary undertakings	-	-	-	3,729,050
	249,059	398,625	601	3,729,651
Amounts falling due after one year:				
Amounts due from subsidiary undertakings	-	-	3,624,038	-
	249,059	398,625	3,624,639	3,729,651

Notes to the financial statements

for the year ended 31 January 2009

13. Creditors: falling due within one year

	Group		Company	
	2009	*2008*	*2009*	*2008*
	£	£	£	£
Trade creditors	40,363	64,961	-	-
Taxes and social security	15,824	46,944	-	-
Bank overdraft	624,986	272,918	-	-
Accruals and deferred income	25,210	87,253	500	10,607
Amounts owed to group undertakings	-	-	-	93,135
	706,383	472,076	500	103,742

14. Called up share capital

Group and Company

At beginning and end of period:

Authorised

	No.	£
Ordinary shares of £1 each	1,000	1,000
A shares of £1 each	1,500,000	1,500,000
Preference share of £1 each	1	1
	1,501,001	1,501,001

Allotted, called up and fully paid

	No.	£
Ordinary shares of £1 each	600	600
A shares of £1 each	1,500,000	1,500,000
Preference share of £1 each	1	1
	1,500,601	1,500,601

No dividend can be paid without the consent of the holder of the Preference share. The Preference share and the A shares do not entitle the holder to any dividend payable by the company.

The holder of the Preference share and the A shares has no right to vote at meetings.

On a return of assets on liquidation or otherwise, the assets of the company remaining after the payment of the liabilities shall be applied first in paying £1 to the holder of the Preference share, and secondly, in preference to any payment to the ordinary shareholders, in paying to the holders of the A shares an amount equal to the nominal value of each such share held in the company.

Notes to the financial statements

for the year ended 31 January 2009

15. Reconciliation of shareholders' funds and movements on reserves

Group	*Share Premium*	*Share capital*	*Profit and loss account*	*Total shareholders funds*
	£	£	£	£
At 31 January 2007	-	600	(4,105,067)	(4,104,467)
Loss for the year	-	-	(64,372)	(64,372)
'A' shares issued	2,823,386	1,500,000	-	4,323,386
Preference share issued	-	1	-	1
At 31 January 2008	2,823,386	1,500,601	(4,169,439)	154,548
Loss for the year	-	-	(330,979)	(330,979)
At 31 January 2009	2,823,386	1,500,601	(4,500,418)	(176,431)

Company				
At 31 January 2007	-	600	(691,740)	(691,140)
Loss for the year	-	-	(6,336)	(6,336)
A Shares issued	2,823,386	1,500,000	-	4,323,386
Preference share issued	-	1	-	1
At 31 January 2008	2,823,386	1,500,601	(698,076)	3,625,911
Loss for the year	-	-	(1,770)	(1,770)
At 31 January 2009	2,823,386	1,500,601	(699,846)	3,624,141

Shareholders' deficit is attributable to equity shareholders.

16. Parent undertaking and controlling party

Following the acquisition of the whole of the share capital of the company on 14 August 2009, the ultimate parent and controlling party is The Edinburgh Woollen Mill (Group) Limited, a company incorporated in Scotland.