

RE-SCAN



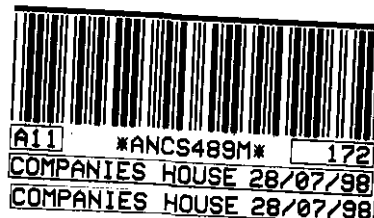
PRICE BAILEY
Chartered Accountants

GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED

ABBREVIATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1997

COMPANY REGISTRATION NUMBER: 148700



Offices at:

Bishop's Stortford Cambridge Chingford Ely Harlow Newmarket Norwich
Saffron Walden

A member of The UK 200 Group, an association of independent practising Chartered Accountants

158

29-7-98

GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED

ABBREVIATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1997

CONTENTS

| | Page |
|------------------------------------|---------|
| Company information | 2 |
| Directors' report | 3 & 4 |
| Auditors' report | 5 |
| Profit and loss account | 6 |
| Balance sheet | 7 |
| Cashflow statement | 8 |
| Historical cost profits and losses | 9 |
| Notes | 10 - 22 |

GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED

COMPANY INFORMATION AS AT 31 DECEMBER 1997

| | |
|--------------------------|---|
| NUMBER | 148700 |
| CHAIRMAN | P Wildman Esq |
| OTHER DIRECTORS | W Gray Esq H J Gray Esq R G Blake Esq N D J Gray Esq R W Gray Esq P D Gray Esq H N J Gray Esq |
| SECRETARY | R G Blake Esq |
| REGISTERED OFFICE | Station Road Robertsbridge East Sussex TN32 5DH |
| AUDITORS | Price Bailey Chartered Accountants Causeway House 1 Dane Street Bishop's Stortford Hertfordshire CM23 3BT |

GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED

DIRECTORS' REPORT

The directors have pleasure in presenting their report, together with the audited financial statements, for the year ended 31 December 1997.

RESULTS AND DIVIDENDS

The directors consider the state of the company's affairs during the year and the financial position at the end of the year to be satisfactory and are pleased to report that trading has held up well in view of the general situation in the industry.

The profit on ordinary activities for the year, before taxation, amounted to £549,400 (1996 £256,107). A dividend of £360 on the cumulative preference shares is proposed for the year.

The directors do not recommend any transfers to reserves other than the £529,756 (1996 £272,906) retained profit, and £1,580 from revaluation reserves to general reserves in respect of depreciation on assets which have been revalued.

REVIEW OF THE BUSINESS

The principal activities of the company are unchanged from last year and are principally the manufacture, wholesaling and retailing of sports equipment.

FUTURE DEVELOPMENTS AND EVENTS SINCE THE END OF THE YEAR

On 16 March 1998 the company entered into an unconditional contract to purchase and cancel 13,528 £1 ordinary shares and 2,500 £1 preference shares from certain shareholders of the company for a total consideration of £899,887.70.

The first completion date was 16 March 1998, on which day 5,260 £1 ordinary shares and 972 £1 preference shares were delivered for consideration of £349,894 and cancelled. The contract provides four respective subsequent completion dates on the four subsequent anniversaries of 16 March 1998, for the remaining consideration to be paid and shares to be delivered and cancelled.

DIRECTORS AND THEIR INTERESTS

The directors during the year and their interests in the share capital of the company at the beginning and end of the year were as follows:

Grays of Cambridge (International) Limited

| | Cumulative Preference shares of £1 each | | Ordinary shares of £1 each | |
|-------------------------------------|---|----------------------|-------------------------------|----------------------|
| | At 31 December 1997 | At 1 January 1997 | At 31 December 1997 | At 1 January 1997 |
| P Wildman Esq | - | - | - | - |
| W Gray Esq | 2,500 | 2,500 | - | 4,634 |
| H J Gray Esq | 2,500 | 2,500 | - | 11,130 |
| R G Blake Esq | - | - | - | - |
| K G E Spink Esq (resigned 31.10.97) | - | - | - | - |
| N D J Gray Esq | - | - | 4,510 | 800 |
| R W Gray Esq (appointed 4.3.97) | - | - | 5,564 | 200 |
| P D Gray Esq (appointed 29.10.97) | - | - | 5,564 | 200 |
| H N J Gray Esq (appointed 29.10.97) | - | - | 4,510 | 800 |

None of the directors held any shares in any other group companies which require disclosure under Schedule 7 to the Companies Act 1985.

GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED

DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITIES

The directors acknowledge their various accounting responsibilities, in particular the requirement to maintain proper and accurate accounting records and the need to safeguard assets and take reasonable steps for the prevention and detection of fraud and other irregularities. In addition, the directors also acknowledge their responsibility for the accounts, which have been prepared from the accounting records.

The accounts are required to give a true and fair view and to comply with the Companies Act 1985. To achieve this, the directors have chosen accounting policies suitable to the business, applied them consistently and made judgements and estimates that they consider prudent and reasonable. They have applied the going concern basis of accounting, which they consider appropriate under the circumstances.

AUDITORS

A resolution to reappoint Price Bailey as auditors will be put to the members at the annual general meeting.

REGISTERED OFFICE

**STATION ROAD
ROBERTSBRIDGE
EAST SUSSEX
TN32 5DH**

BY ORDER OF THE BOARD


**R G Blake
SECRETARY**

Dated: 10.6.1998

**AUDITORS' REPORT TO THE MEMBERS
OF GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED**

We have examined the abbreviated accounts set out on pages 6 to 12 together with the financial statements of the company for the year ended 31 December 1997 prepared under section 226 of the Companies Act 1985.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A of the Act to the registrar of companies and whether the accounts to be delivered are properly prepared in accordance with that provision and to report our opinion to you.

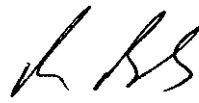
Basis of opinion

We have carried out the procedures we considered necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A of the Companies Act 1985, and the abbreviated accounts on pages 6 to 22 are properly prepared in accordance with that provision.

**CAUSEWAY HOUSE
1 DANE STREET
BISHOP'S STORTFORD
HERTFORDSHIRE
CM23 3BT**


**PRICE BAILEY
CHARTERED ACCOUNTANTS
AND REGISTERED AUDITORS

25 JUNE 1998**

GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED

ABBREVIATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1997

| | | | | | |
|--|---|-----------|-----------|-----------|-----------|
| GROSS PROFIT | | | 2,612,146 | | 2,621,642 |
| Staff costs | 3 | 1,188,210 | | 1,243,237 | |
| Depreciation and adjustments on disposals of fixed assets | | 87,150 | | 70,225 | |
| Other operating charges | | 807,802 | | 1,056,646 | |
| | | | 2,083,162 | | 2,370,108 |
| OPERATING PROFIT | 2 | | 528,984 | | 251,534 |
| Interest receivable | | 2,783 | | 1,351 | |
| Interest payable | 4 | (68,873) | | (65,298) | |
| | | | (66,090) | | (63,947) |
| | | | 462,894 | | 187,587 |
| Income from fixed asset investment | | | 86,506 | | 68,520 |
| Profit on ordinary activities before taxation | | | 549,400 | | 256,107 |
| Tax on profit on ordinary activities | 5 | | 19,284 | | (4,130) |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | | 530,116 | | 260,237 |
| Dividends | 6 | | 360 | | (12,669) |
| RETAINED PROFIT FOR THE FINANCIAL YEAR | | | £ 529,756 | | £ 272,906 |

There have been no recognised gains or losses other than those recognised in the profit and loss account.

There have been no discontinued activities in the current or preceding year.

The notes on pages 10 to 22 form part of these financial statements.

GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED

BALANCE SHEET AT 31 DECEMBER 1997

| | Notes | | 1996 |
|--|-------|-------------|-------------|
| FIXED ASSETS | | | |
| Tangible assets | 7 | 802,564 | 855,126 |
| Investment in subsidiary | 8 | 125,000 | 125,000 |
| Investments in associated undertakings | 8 | 300,000 | 300,000 |
| | | <hr/> | <hr/> |
| | | 1,227,564 | 1,280,126 |
| CURRENT ASSETS | | | |
| Stocks | 9 | 1,649,920 | 1,827,647 |
| Debtors | 10 | 616,405 | 476,055 |
| Cash at bank and in hand | | 342,126 | 1,340 |
| | | <hr/> | <hr/> |
| | | 2,608,451 | 2,305,042 |
| CREDITORS: amounts falling due within one year | 11 | 711,689 | 982,323 |
| | | <hr/> | <hr/> |
| NET CURRENT ASSETS | | 1,896,762 | 1,322,719 |
| | | <hr/> | <hr/> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 3,124,326 | 2,602,845 |
| | | <hr/> | <hr/> |
| CREDITORS: amounts falling due after more than one year | 12 | 85,477 | 118,752 |
| Provisions for liabilities and charges | 21 | 25,000 | - |
| | | <hr/> | <hr/> |
| | | £ 3,013,849 | £ 2,484,093 |
| | | <hr/> | <hr/> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 13 | 48,088 | 48,088 |
| Revaluation reserve | 14 | 426,219 | 427,799 |
| Profit and loss account | 14 | 2,539,542 | 2,008,206 |
| | | <hr/> | <hr/> |
| | | £ 3,013,849 | £ 2,484,093 |
| | | <hr/> | <hr/> |
| Equity shareholders funds | | 3,006,349 | 2,476,593 |
| Non-equity shareholders funds | | 7,500 | 7,500 |
| | | <hr/> | <hr/> |
| | | £ 3,013,849 | £ 2,484,093 |
| | | <hr/> | <hr/> |

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium sized companies.

Approved by the board on 10.06.98

P Wildman

)

)

) Directors

)

W Gray

)

The notes on pages 10 to 22 form part of these financial statements.

GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1997

| | Notes | | 1996 |
|---|----------|------------|-------------|
| Net cash inflow/(outflow) from operating activities | 16 | 451,448 | (12,730) |
| Returns on investments and servicing of finance | | | |
| Preference dividends paid | (720) | (360) | |
| Interest received | 2,783 | 1,732 | |
| Interest paid | (58,557) | (54,455) | |
| Dividends received | 67,729 | 56,474 | |
| Interest element of finance lease rental payments | (11,003) | (10,156) | |
| Net cash inflow/(outflow) from returns on investments and servicing of finance | | 232 | (6,765) |
| Taxation | | | |
| Corporation tax paid (including advance corporation tax) | | (25,623) | (28,347) |
| Capital expenditure and financial investment | | | |
| Payments to acquire tangible fixed assets | (42,238) | (257,299) | |
| Receipts from sales of tangible fixed assets | 7,650 | 625 | |
| Net cash outflow from capital expenditure and investment income | | (34,588) | (256,674) |
| Equity dividends paid | | (108,672) | (60,882) |
| Net cash inflow/(outflow) before use of liquid resources and financing | | 282,797 | (365,398) |
| Management of liquid resources | | - | - |
| Financing | | | |
| New hire purchase agreement | - | 170,000 | |
| Capital element of finance lease rental payments | (30,197) | (21,051) | |
| | | (30,197) | 148,949 |
| Increase/(decrease) in cash in the period | | £ 252,600 | £ (216,449) |
| Reconciliation of net cash flow to movement in net debt | | | |
| Increase/(decrease) in cash in the period | 252,600 | (216,449) | |
| Capital repayments - hire purchase agreement | 30,197 | 21,051 | |
| New hire purchase agreement | - | (170,000) | |
| Change in net debt | | 282,797 | (365,398) |
| Net debt at 1 January 1997 | 17 | (338,925) | 26,473 |
| Net debt at 31 December 1997 | 17 | £ (56,128) | £ (338,925) |

GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED**NOTE OF HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 1997**

| | 1997 | 1996 |
|---|------------------|------------------|
| Reported profit on ordinary activities before taxation | 549,400 | 256,107 |
| Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount | 1,855 | 1,855 |
| Historical cost profit on ordinary activities before taxation | <u>£ 551,255</u> | <u>£ 257,962</u> |
| Historical cost profit for the year retained after taxation, minority interests, extraordinary items and dividends | <u>£ 531,611</u> | <u>£ 241,163</u> |

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

1.1 Accounting convention and standards

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain freehold properties, in accordance with applicable Statements of Standard Accounting Practice and Financial Reporting Standards.

1.2 Turnover

Turnover represents the total amounts receivable (excluding value added tax) in respect of goods sold and services rendered.

1.3 Depreciation and amortisation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation of each asset, less estimated residual value, over its expected life on the following basis:

| | | |
|------------------------|---|--|
| Freehold land | - | Nil |
| Freehold buildings | - | 2% on the straight line basis |
| Plant and machinery | - | Between 10% and 33% on the reducing balance basis or the straight line basis |
| Furniture and fittings | - | Between 7.5% and 25% on the reducing balance basis |
| Motor vehicles | - | 25% per annum on the reducing balance |

1.4 Research and development

Expenditure on research and development, patents, trade marks, franchises and goodwill is written off as and when incurred.

1.5 Dividends

Dividends received and receivable at the balance sheet date are included in the profit and loss account for that year. In addition, credit is taken for any dividends which are declared subsequent to the balance sheet date, but which relate to the year ending on or before that date.

1.6 Stock and work in progress

Stock and work in progress is stated at the lower of cost and net realisable value.

Cost is represented by all expenditure incurred in the usual course of business in bringing products to their present location and condition, including related production overheads based on the normal level of activity.

Net realisable value represents the actual or estimated selling price of the items concerned, less trade discounts, all further costs to completion and all costs to be incurred in marketing, selling and distribution, and is calculated after taking account of obsolescence and physical deterioration.

Purchases made under letters of credit arrangements are brought into stock at the time letters of acceptance are signed by the company.

1.7 Deferred taxation

Deferred taxation is calculated using the liability method on timing differences between amounts as computed for taxation purposes and amounts as stated in these financial statements in conjunction with losses carried forward.

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (continued)

1.8 Foreign currency conversion

Transactions denominated in foreign currencies are translated into Sterling and recorded at an average rate of exchange ruling during the year.

Balances at the year end denominated in foreign currency are translated into Sterling at the closing rate of exchange.

1.9 Leasing and hire purchase commitments

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives, except for those acquired under finance lease contracts, which are depreciated over the life of the contract.

The interest element of rental obligations is charged to the profit and loss account over the period of the contract and represents a constant proportion of the balance of capital payments outstanding.

Rentals paid under operating agreements are charged to income as incurred.

1.10 Defined contribution pension scheme

The company operates a defined contribution pension scheme in respect of some of the directors. The assets of the scheme are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the funds.

1.11 Defined benefit pension scheme

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company, being invested with insurance companies. 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.

GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS (CONTINUED)

2. OPERATING PROFIT

| | | |
|---|-----------------|-----------------|
| This is stated after charging/(crediting): | | 1996 |
| Directors' emoluments | £144,315 | £110,295 |
| Auditors' remuneration | £18,500 | £18,200 |
| Hire of plant and machinery | £3,970 | £15,397 |
| Net exchange losses/(gains) | £(71,354) | £3,731 |
| Depreciation and adjustment on disposal of owned assets | £60,214 | £50,273 |
| Depreciation and adjustment on disposal under hire purchase contracts | £26,936 | £19,953 |
| | <u>£144,315</u> | <u>£110,295</u> |

3. STAFF COSTS

| | | |
|-----------------------------|-------------------|-------------------|
| | | 1996 |
| Wages and salaries: | | |
| Directors | 122,292 | 79,837 |
| Direct and indirect wages | 312,633 | 348,840 |
| Administration | 305,544 | 345,962 |
| Retail wages and salaries | 174,083 | 166,879 |
| Commissions | 142,692 | 142,431 |
| | <u>1,057,244</u> | <u>1,083,949</u> |
| Social security costs | 81,659 | 81,195 |
| Pension to former employees | 19,276 | 19,098 |
| Pension scheme costs | 30,031 | 58,995 |
| | <u>£1,188,210</u> | <u>£1,243,237</u> |

The average weekly number of employees during the year was:

| | | |
|----------------|------------|------------|
| | No: | No: |
| Production | 29 | 32 |
| Sales | 18 | 17 |
| Administration | 23 | 24 |
| | <u>70</u> | <u>73</u> |

GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS (CONTINUED)

3. STAFF COSTS (continued)

| | | 1996 |
|---------------------------------|-----------------|-----------------|
| Directors' remuneration: | | |
| Fees | 16,878 | 3,600 |
| Emoluments | 118,807 | 88,127 |
| Pension contributions | 5,880 | 15,818 |
| Pension to former directors | 2,750 | 2,750 |
| | <u>£144,315</u> | <u>£110,295</u> |

There are two directors to whom retirement benefits are accruing under a money purchase scheme.

Directors' interests in contracts:

The company has a contract with a firm in which a director, R G Blake Esq, is a partner, for the provision of consultancy services under which it paid £7,110 during the year (1996 £7,290).

The company also had a contract with K G E Spink Esq for the provision of consultancy services under which it paid £1,806 (1996: £2,437) in 1997, the contract ended in October 1997. The company entered into a consultancy agreement with P D Gray in the year, under which £580 has been provided in the accounts.

4. INTEREST PAYABLE

| | | 1996 |
|--|----------------|----------------|
| On bank loans and overdrafts repayable within five years otherwise than by instalments | 38,460 | 36,835 |
| Hire purchase contracts and finance leases | 11,003 | 10,156 |
| Other loans | 19,410 | 17,259 |
| Late payment of tax | - | 932 |
| H M Customs and Excise | - | 116 |
| | <u>£68,873</u> | <u>£65,298</u> |

5. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

| | | 1996 |
|---|----------------|-----------------|
| U K corporation tax based on profit for the year | 16,075 | 10,278 |
| (Over)/underprovision of corporation tax in previous years at 24% | 3,209 | (14,408) |
| | <u>£19,284</u> | <u>£(4,130)</u> |

The company has approximately £110,300 of unrelieved tax losses to carry forward against future profits of the company.

No provision for deferred taxation is required to be made in these financial statements as available tax losses exceed the timing difference.

GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS (CONTINUED)

6. DIVIDENDS

Ordinary shares:

Proposed £Nil per share (1996 £Nil per share)

Dividend waived

6% Cumulative Preference shares:

Proposed

360

£360

1996

(13,029)

360

£(12,669)

7. TANGIBLE FIXED ASSETS

| | Freehold Land and Buildings | Plant and Machinery | Furniture and Fittings | Motor Vehicles | Total |
|---------------------------|--|------------------------------------|---------------------------------------|---------------------------|--------------|
| Cost or valuation: | | | | | |
| At 1 January 1997 | 586,702 | 345,125 | 66,652 | 100,735 | 1,099,214 |
| Additions | - | 15,837 | 2,389 | 24,012 | 42,238 |
| Disposals | - | (2,539) | (7,040) | (11,600) | (21,179) |
| At 31 December 1997 | 586,702 | 358,423 | 62,001 | 113,147 | 1,120,273 |
| Depreciation: | | | | | |
| At 1 January 1997 | 64,809 | 101,523 | 30,718 | 47,039 | 244,089 |
| Charge for the year | 7,929 | 56,115 | 4,926 | 19,048 | 88,018 |
| Eliminated on disposals | - | (547) | (7,145) | (6,706) | (14,398) |
| At 31 December 1997 | 72,738 | 157,091 | 28,499 | 59,381 | 317,709 |
| Net book value: | | | | | |
| At 31 December 1997 | £513,964 | £201,332 | £33,502 | £53,766 | £802,564 |
| At 31 December 1996 | £521,893 | £243,602 | £35,934 | £53,696 | £855,126 |

GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS (CONTINUED)****7. TANGIBLE FIXED ASSETS (continued)****Assets held under hire purchase contracts**

Included in fixed assets are the following amounts relating to assets held under hire purchase contracts:

| | | 1996 |
|---------------------|-----------------------------|-----------------------------|
| Plant and machinery | £152,637 | £179,573 |
| | <u> </u> | <u> </u> |

Included in depreciation are the following amounts relating to assets held under hire purchase contracts:

| | | |
|---------------------|-----------------------------|-----------------------------|
| Plant and machinery | £26,936 | £19,953 |
| | <u> </u> | <u> </u> |

Historical cost information relating to freehold premises included at valuation:

Historical cost:

| | |
|---|-----------------------------|
| At 1 January 1997 and 31 December 1997 | £428,202 |
| | <u> </u> |

Depreciation based on cost:

| | |
|---------------------|-----------------------------|
| At 1 January 1997 | 52,603 |
| Charge for the year | 6,074 |
| | <u> </u> |
| At 31 December 1997 | £58,677 |
| | <u> </u> |

Net historical cost value:

| | |
|---------------------|-----------------------------|
| At 31 December 1996 | £375,599 |
| | <u> </u> |
| At 31 December 1997 | £369,525 |
| | <u> </u> |

Included in freehold land and buildings of £586,702 is property which was professionally valued at £254,990 in 1986 or earlier years. The original cost of this property was £96,490 which with additions increased to £414,424. In the directors' opinion their present values are not considered to be significantly different from their book value.

Included in freehold land and buildings is non-depreciable land valued at £190,250.

If the land and buildings were sold at their valuation it is considered likely that no significant tax liability would arise.

The remaining fixed assets of the company have not been revalued, but the directors have considered their value and are satisfied that their aggregate value at 31 December 1997 was not less than their net book value shown in the financial statements.

GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS (CONTINUED)

8. FIXED ASSET INVESTMENTS

Subsidiary undertakings:

Investment at cost in Sarnian Sports Limited:

As at 1 January 1997 and 31 December 1997

£125,000

Grays of Cambridge (International) Limited owns 9 (100%) of the £1 ordinary shares of Sarnian Sports Limited, a company which was incorporated in Guernsey and whose principal activity is the retailing of sports equipment.

The subsidiary's audit report for the year ended 31 December 1997 was unqualified.

The company is not required to prepare group accounts as it has taken advantage of Section 248 of the Companies Act 1985.

Financial information about subsidiaries at 31 December 1997:

| | Share Capital | Reserves | Retained profit for the year |
|------------------------|------------------|----------|------------------------------------|
| Sarnian Sports Limited | £9 | £125,957 | £17,699 |

Associated undertakings:

1996

Company

Company

Grays of Cambridge
(Pakistan) Limited and its
subsidiary Dawn Sports
(Private) Limited

Shares listed on the Lahore
Stock Exchange at
cost/valuation

£300,000

£300,000

Grays of Cambridge (Pakistan) Limited was incorporated in Pakistan and its shares have been quoted on the Lahore Stock Exchange since January 1987. As at 31 December 1997 the company's holding was 298,664 (40%) of the 10 Rupee ordinary share capital and the shares were quoted at 220 Rupees each on 30 June 1997 and 224 Rupees at 31 December 1997.

At the 31 December price, the company's investment would be worth approximately £924,000. If the shares were sold at this valuation a tax liability of approximately £207,000 would arise.

The investment was revalued during 1988 by the directors to take account of its true market value at that date of approximately £300,000, which is the amount included in the company's balance sheet.

The principal activity of Grays of Cambridge (Pakistan) Limited is the manufacture and export of quality sports goods.

GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS (CONTINUED)****8. FIXED ASSET INVESTMENTS (continued)**

Financial information about the investment at 30 June 1997:

| | Share Capital | Reserves | Retained Profit for the year |
|--|------------------|------------|------------------------------------|
| Grays of Cambridge (Pakistan) Limited | £103,164 | £1,677,289 | £310,736 |

The audit report of Grays of Cambridge (Pakistan) Limited for the year ended 30 June 1997 was unqualified.

Grays of Cambridge (International) Limited also owns the entire share capital of the following non-trading companies, whose names are used for trading within the group:

| Name of subsidiary: | Country of Incorporation |
|----------------------------|-----------------------------|
| Gray-Nicolls Limited | England |
| Grays Sports Limited | England |
| P H Gray (Rugby) Limited | England |
| Grays of Cambridge Limited | England |

9. STOCKS**1996**

| | | |
|-----------------------------------|------------|------------|
| Raw materials | 379,751 | 409,559 |
| Work in progress | 52,026 | 75,656 |
| Finished stock of own manufacture | 233,989 | 269,293 |
| Finished stock bought in | 389,564 | 408,998 |
| Goods in transit | 119,644 | 278,638 |
| Retail stock | 399,876 | 370,076 |
| Consumable stores | 15,555 | 15,427 |
| Payments on account | 59,515 | - |
| | <hr/> | <hr/> |
| | £1,649,920 | £1,827,647 |
| | <hr/> | <hr/> |

GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS (CONTINUED)

10. DEBTORS

| | | 1996 |
|-------------------------------------|----------|-------------|
| Trade debtors | 340,966 | 289,067 |
| Other debtors | 39,627 | 46,853 |
| Prepayments and accrued income | 86,667 | 72,559 |
| Dividend from associated company | 70,264 | 58,247 |
| Amounts due from group undertakings | 32,086 | 9,329 |
| CID advances | 46,795 | - |
| | <hr/> | <hr/> |
| | £616,405 | £476,055 |
| | <hr/> | <hr/> |

11. CREDITORS: amounts falling due within one year

| | | 1996 |
|---|----------|-------------|
| Bank overdraft | 279,502 | 191,316 |
| Trade creditors | 147,850 | 109,988 |
| Letters of credit | 119,644 | 278,638 |
| CID advances | - | 14,166 |
| Proposed dividends | 360 | 96,363 |
| Other taxes and social security costs | 24,890 | 23,390 |
| Accruals and deferred income | 99,998 | 230,590 |
| Obligations under hire purchase contracts | 33,275 | 30,197 |
| Other creditors | 6,170 | 7,234 |
| Directors' current accounts | - | 441 |
| | <hr/> | <hr/> |
| | £711,689 | £982,323 |
| | <hr/> | <hr/> |

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

| | | 1996 |
|---------------------------------|---------|-------------|
| Repayable between 2 and 5 years | £85,477 | £118,752 |
| | <hr/> | <hr/> |

The above liabilities are secured on specific assets of the company set out in note 7.

GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS (CONTINUED)

13. SHARE CAPITAL

| | 1996 | |
|--|----------------|----------------|
| | No: | No: |
| Authorised | | |
| 7,500 6% cumulative preference shares of £1 each | 7,500 | 7,500 |
| 42,500 ordinary shares of £1 each | 42,500 | 42,500 |
| | <u>50,000</u> | <u>50,000</u> |
| Issued and fully paid | | |
| 7,500 6% cumulative preference shares of £1 each | 7,500 | 7,500 |
| 40,588 ordinary shares of £1 each | 40,588 | 40,588 |
| | <u>£48,088</u> | <u>£48,088</u> |

The preference shares carry a 6% cumulative dividend, have voting rights, and are redeemable at par in priority to ordinary shares in a winding up.

14. RESERVES

Company:

| | Revaluation Reserve | Profit and Loss Account | Total |
|------------------------------|---------------------|-------------------------|-------------------|
| At 1 January 1997 | 427,799 | 2,008,206 | 2,436,005 |
| Retained profit for the year | - | 529,756 | 529,756 |
| Amortisation during the year | (1,580) | 1,580 | - |
| | <u>£426,219</u> | <u>£539,542</u> | <u>£2,965,761</u> |

GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS (CONTINUED)

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | | 1996 |
|---|-------------------|-------------------|
| | Company | Company |
| Profit for the year | 530,116 | 260,237 |
| Dividends payable/(waived) | 360 | (12,669) |
| Net additions to shareholders funds during the year | 529,756 | 272,906 |
| Shareholders' funds at 1 January 1997 | 2,484,093 | 2,211,187 |
| Shareholders' funds at 31 December 1997 | <u>£3,013,849</u> | <u>£2,484,093</u> |

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

| | | 1996 |
|---|-----------------|------------------|
| Operating profit | 528,984 | 251,534 |
| Depreciation charges and adjustments on disposal | 87,150 | 70,225 |
| Decrease/(increase) in stocks | 177,727 | (238,105) |
| (Increase)/decrease in debtors | (115,234) | 132,464 |
| (Decrease) in creditors | (227,179) | (228,848) |
| Net cash inflow/(outflow) from operating activities | <u>£451,448</u> | <u>£(12,730)</u> |

17. ANALYSIS OF NET DEBT

| | At 01/01/97 | Cash Flow | At 31/12/97 |
|---|------------------------|----------------------|------------------------|
| Cash in hand at bank | 1,340 | 340,786 | 342,126 |
| Overdrafts | (191,316) | (88,186) | (279,502) |
| Finance leases and hire purchase agreements | (148,949) | 30,197 | (118,752) |
| Total | <u>£(338,925)</u> | <u>£282,797</u> | <u>£(56,128)</u> |

Major non-cash transactions

There were no major non-cash transactions during the year.

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS (CONTINUED)

18. PENSIONS

19.1 Defined contribution pension scheme

The company operates a defined contribution pension scheme in respect of two of the directors. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £2,664 (1996: £2,789). There were no contributions outstanding at 31 December 1997.

19.2 Defined benefit pension scheme

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company, being invested with insurance companies. 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 independent of the company on the basis of triennial valuations using the projected unit credit method, with a 15 year control period and exits from the scheme are assumed to be replaced by new entrants. The most recent valuation was at 1 July 1994.

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 the investment returns would be 10% per annum, that salary increases would average 7.5% per annum and that present and future pensions would not be increased in payment.

The pension charge for the period was £22,211 (1996: £43,177). This included a reduction of £2,730 (1996: £2,730) in respect of the amortisation of experience surpluses that are being recognised over 11 years, the average remaining service lives of employees. There were no contributions outstanding at 31 December 1997.

The most recent actuarial valuation showed that the premium value of the scheme's assets was £294,000 and that the actuarial value of those assets represented 159% of the benefits that had accrued to the members, after allowing for expected future increases in earnings. The contributions by the company and employees will remain at 2.6% and 3.0% of earnings respectively.

19.3 Former employees

Pensions are paid on a voluntary basis to some former employees for whom adequate provision had not been made prior to retirement.

19. OPERATING LEASE COMMITMENTS

At the balance sheet date the group had annual commitments under non-cancellable operating leases:

| | | | 1996 | |
|--------------------------------|-----------------------|------------|-----------------------|------------|
| | Land and Buildings | Other | Land and Buildings | Other |
| Operating leases which expire: | | | | |
| within one year | - | - | - | - |
| in two to five years | 12,000 | - | 12,000 | - |
| after more than five years | 50,000 | - | 50,000 | - |
| | <u>£ 62,000</u> | <u>£ -</u> | <u>£ 62,000</u> | <u>£ -</u> |

20. DUTY DEFERMENT BONDS

The group's bankers have recourse to the group on a £100,000 Duty Deferment Bond.

21. PROVISIONS FOR LIABILITIES AND CHARGES

The provision relates to the potential cost of a claim against the company in contract which is currently subject to appeal in the Belgian courts.

22. TRANSACTIONS IN WHICH THE DIRECTORS HAD A MATERIAL INTEREST

The company trades with Gray-Nicolls (Australia) Pty, which is a company partially owned by some of the directors. Gray-Nicolls (Australia) Pty purchased £93,872 of goods from the company during the year, on an arms length basis on normal commercial terms.

At 31 December 1997 the company was owed £93,872 by Gray-Nicolls (Australia) Pty.

A charge for use of residence has been paid to two of the directors, as follows:

| | |
|--|--------|
| W Gray Esq (jointly with his spouse) | £1,000 |
| H J Gray Esq (jointly with his spouse) | £2,300 |