

**REGISTRAR OF
COMPANIES**

B K Sports Inc

Report and Financial Statements

Year Ended

31 December 1995

7/2



BDO

BDO Stoy Hayward
Chartered Accountants

B K SPORTS INC

Annual report and financial statements for the year ended 31 December 1995

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Director

L Schwartz (USA)

Secretary and registered office

P Lincoln, The Prentice-Hall Corporation System Inc., 32 Loockerman Square, Suite L-100,
Dover, Delaware, 19901 County of Kent, USA.

Place of business

Turnberry, The Belfry, Colonial Way, Watford, WD2 4GQ.

UK Company number

FC 16703

Auditors

BDO Stoy Hayward, 8 Baker Street, London, W1M 1DA.

B K SPORTS INC

Report of the directors for the year ended 31 December 1995

The directors submit their report together with the financial statements for the year ended 31 December 1995.

Results and dividends

The profit and loss account is set out on page 3 and shows the result for the year.

The directors do not recommend the payment of a dividend.

Principal activity, review of business and future developments

The company's principal activity is the distribution of sports footwear.

The directors consider that the company has traded satisfactorily.

There have been no events since the balance sheet date that materially affect the company.

Associated company transactions

Substantially all goods acquired for resale are purchased from Jack Schwartz Shoes Inc., an associated company, at arms length prices.

Directors

The directors during the year were as follows:

L Schwartz (USA) Chairman

M Nathan

(resigned 17 December 1995)

G S Williams

(resigned 3 March 1995)

Directors' responsibilities

The directors are required to prepare financial statements 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 the year for filing at Companies House as required by the Overseas Companies (Accounts) (Modification and Exemptions) Order 1990 and for filing with the Inland Revenue to comply with the Inland Revenue requirements for the company to continue operating its Profit Related Pay Scheme. In preparing these financial statements the directors have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent; and
- prepared the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

B K SPORTS INC

Report of the directors for the year ended 31 December 1995 (*Continued*)

Directors' responsibilities (*Continued*)

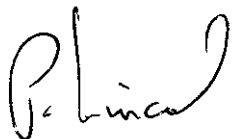
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of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

Tangible fixed assets

Details of movements in tangible fixed assets are given in note 2 to the accounts.

By order of the Board

P Lincoln



Secretary

Date

14th October 1996

B K SPORTS INC**Profit and loss account for the year ended 31 December 1995**

	1995 £	1994 £
Turnover	9,906,583	12,690,714
Cost of sales	8,688,322	10,884,352
Gross profit	1,218,261	1,806,362
Distribution costs	371,946	274,700
Administrative expenses	1,356,414	1,800,451
Operating loss	(510,099)	(268,789)
Exchange profit/(loss)	276,350	(37,400)
Loss on ordinary activities before and after taxation	(233,749)	(306,189)
Profit and loss account brought forward	(395,842)	(89,653)
Profit and loss account carried forward	(629,591)	(395,842)

All amounts relate to continuing activities.
All recognised gains and losses are included in the profit and loss account.

The notes on pages 6 to 10 form part of these financial statements

B K SPORTS INC

Balance sheet at 31 December 1995

	Note	1995	1994
		£	£
Fixed assets			
Tangible assets	2	88,992	168,592
Current assets			
Stocks	3	1,393,776	2,013,729
Debtors	4	2,512,078	1,760,783
Cash at bank and in hand		504,454	357,768
		<u>4,410,308</u>	<u>4,132,280</u>
Creditors: amounts falling due within one year	5	2,650,262	2,218,085
		<u>1,760,046</u>	<u>1,914,195</u>
Net current assets			
		<u>1,849,038</u>	<u>2,082,787</u>
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	6	1,260,000	2,060,000
		<u>589,038</u>	<u>22,787</u>
Capital and reserves			
Called up share capital	7	800,052	52
Share premium		418,577	418,577
Profit and loss account		(629,591)	(395,842)
		<u>589,038</u>	<u>22,787</u>

The financial statements were approved by the Board on

L Schwartz
Director

The notes on pages 6 to 10 form part of these financial statements

B K SPORTS INC

Cash flow statement for the year ended 31 December 1995

	Note	£	1995	£	£	1994	£
Net cash (outflow)/inflow from operating activities	8		(130,762)			287,590	
Investing activities							
Purchase of tangible fixed assets		(22,470)			(36,614)		
Sale of tangible fixed assets		23,568			11,350		
Net cash inflow from investing activities			1,098			(25,264)	
Net cash (outflow)/inflow before financing			(129,664)			262,326	
Financing							
Issue of ordinary share capital		800,000			-		
Repayment of shareholder loan		(800,000)			-		
Net cash flow from financing	11		-			-	
(Decrease)/increase in cash and cash equivalents	10		(129,664)			262,326	

The notes on pages 6 to 10 form part of these financial statements

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Turnover

Turnover represents sales to outside customers at invoiced amounts less returns, trade discounts and value added tax.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets over their expected useful lives. It is calculated at the following annual rates:

Leasehold improvements	- 20% on cost
Furniture and fittings	- 20% on cost
Motor vehicles	- 33% on cost
Electrical and computer equipment	- 25% on cost

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is calculated as landed cost of finished goods at suppliers' prices plus freight, insurance and duty.

Net realisable value is based on estimated selling price less further costs of disposal.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions denominated in foreign currencies are translated into sterling at standard exchange rates. Any differences arising between amounts determined at these rates and cash amounts realised are shown as exchange differences. Exchange differences are taken into account in arriving at the operating loss.

B K SPORTS INC

Notes forming part of the financial statements for the year ended 31 December 1995 (*Continued*)

2 Tangible assets

	Furniture, fittings and equipment £	Motor vehicles £	Leasehold improvements £	Total £
<i>Cost</i>				
At beginning of year	167,466	104,709	48,782	320,957
Additions	12,970	9,500	-	22,470
Disposals	-	(49,995)	-	(49,995)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	180,436	64,214	48,782	293,432
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At beginning of year	79,520	52,046	20,799	152,365
Provided for the year	43,658	27,923	9,759	81,340
Disposals	-	(29,265)	-	(29,265)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	123,178	50,704	30,558	204,440
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 December 1995	57,258	13,510	18,224	88,992
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1994	87,946	52,663	27,983	168,592
	<hr/>	<hr/>	<hr/>	<hr/>

3 Stocks

	1995 £	1994 £
Finished goods and goods for resale	1,393,776	2,013,729
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There is no significant difference between the amount at which stocks are stated in the balance sheet and their replacement cost.

B K SPORTS INC

Notes forming part of the financial statements for the year ended 31 December 1995 (Continued)

4 Debtors

	1995 £	1994 £
Trade debtors	230,966	535,477
Amounts due from associated company	2,258,721	1,178,155
Prepayments and accrued income	22,391	47,151
	<u>2,512,078</u>	<u>1,760,783</u>

All amounts shown under debtors fall due for payment within one year.

5 Creditors: amounts falling due within one year

Trade creditors	2,044,281	1,913,455
Other creditors and accruals	605,981	304,630
	<u>2,650,262</u>	<u>2,218,085</u>

6 Creditors: amounts falling due after more than one year

Shareholders' loans	1,260,000	2,060,000
	<u>1,260,000</u>	<u>2,060,000</u>

7 Share capital

	Allotted, called up and fully paid	
	1995	1994
Ordinary shares of \$1 each		
Number	1,226,100	100
	<u>1,226,100</u>	<u>100</u>
Value	£800,052	£52
	<u>£800,052</u>	<u>£52</u>

B K SPORTS INC

Notes forming part of the financial statements for the year ended 31 December 1995 (Continued)

8 Reconciliation of operating loss to net cash inflow from operating activities

	1995 £	1994 £
Operating loss	(510,099)	(268,789)
Depreciation	81,340	85,020
(Profit)/loss on sale of fixed assets	(2,838)	315
Decrease in stocks	1,402,636	419,772
(Increase)/decrease in debtors	(751,295)	682,992
Decrease in creditors	(350,506)	(631,720)
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	(130,762)	287,590
	<hr/>	<hr/>

9 Analysis of changes in cash

Movements in 1994

Balance at 1 January 1994	132,842
Net cash inflow	224,926
	<hr/>
Balance at 31 December 1994	357,768
	<hr/>

Movements in 1995

Balance at 1 January 1995	357,768
Net cash inflow	146,686
	<hr/>
Balance at 31 December 1995	504,454
	<hr/>

B K SPORTS INC

Notes forming part of the financial statements for the year ended 31 December 1995 (Continued)

10 Analysis of changes in cash and cash equivalents

	Cash at bank £
Movements in 1994	
Balance at 1 January 1994	132,842
Net cash inflow before adjustments for the effect of foreign exchange rates	262,326
Effect of foreign exchange rates	(37,400)
	<hr/>
Balance at 31 December 1994	357,768
	<hr/>
Movements in 1995	
Balance at 1 January 1995	357,768
Net cash outflow before adjustments for the effect of foreign exchange rates	(129,664)
Effect of foreign exchange rates	276,350
	<hr/>
Balance at 31 December 1995	504,454
	<hr/>

11 Analysis of changes in financing

	Share capital		Shareholders' loans	
	1995	1994	1995	1994
	£	£	£	£
Balance at 1 January	52	52	2,060,000	2,060,000
Recapitalisation of loan	800,000	-	(800,000)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December	800,052	52	1,260,000	2,060,000
	<hr/>	<hr/>	<hr/>	<hr/>

B K SPORTS INC

Report of the auditors

To the shareholders of B K Sports Inc

We have audited the financial statements on pages 3 to 10 which have been prepared under the accounting policies set out on page 6. These financial statements have been prepared in accordance with the requirements of the Overseas Companies (Accounts)(Modifications and Exemptions) Order 1990 and for filing with the Inland Revenue. The financial statements have not been prepared in accordance with the Companies Act 1985.

Respective responsibilities of directors and auditors

As described on pages 1 and 2, the company's directors are responsible for the preparation of these 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 an 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 as at 31 December 1995 and of its result for the year then ended.



BDO STOY HAYWARD
*Chartered Accountants
and Registered Auditors*
London

14 October 1996