

PROSTAR SPORTS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

Registered number: 1912919

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PROSTAR SPORTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

The directors have pleasure in submitting their annual report and the audited financial statements of the company for the year ended 31 December 2012

PRINCIPAL ACTIVITIES, REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The company's principal activity during the year was that of the design, sourcing, marketing and distribution of sports team wear in the UK. This is not expected to change in the coming year.

Given the prevalence of uncertainty arising from political and economic instability in the global market, as well as the inherent risks faced by the business, the directors' acknowledge that the future year will be a challenging period. However, through a combination of strong industry knowledge and robust long term strategic planning the directors' remain confident that the business will continue to meet the challenges it faces.

Principal risks and uncertainties

The directors of Pentland Group plc (the ultimate parent company) manage the group's risk at a group level, rather than at an individual entity level, including financial risk management. For this reason, the company's directors believe that a discussion of the company's risks would not be appropriate for an understanding of the development, performance or position of Prostar Sports Limited's business.

The principal risks and uncertainties of Pentland Group plc, which include those of the company, are discussed in the group's annual report which does not form part of this report. Copies of the Pentland Group plc consolidated financial statements are available from the company secretary at 8 Manchester Square, London, W1U 3PH.

Key performance indicators

Given the straightforward nature of the business, the company's directors are of the opinion that an analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

RESULTS AND DIVIDENDS

The company's loss for the financial year is £642,000 (2011: £409,000) and is shown in the profit and loss account on page 5. The directors do not recommend the payment of a dividend (2011: £nil).

DIRECTORS

The following directors who held office during the year and up to the date of signing the financial statements were:

A K Rubin
A M Long
J M Godden
C Davies (appointed 30 November 2012)
G Hibbert (resigned 19 March 2012)

QUALIFYING THIRD PARTY AND PENSION SCHEME LIABILITY PROVISIONS

The Company has made qualifying third party indemnity provisions for the benefit of its directors and the secretary which were made during the year and remain in force at the date of this report.

PROSTAR SPORTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

GOING CONCERN

The financial statements have been prepared on a going concern basis as the ultimate parent undertaking has indicated its intention to provide continuing financial support to the company for at least the next twelve months, and the foreseeable future thereafter

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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,
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information, being information required by the auditors in connection with the preparation of the auditors' report, of which the auditors are unaware. Having made enquiries of fellow directors and the group auditors, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditors are aware of that information.

PROSTAR SPORTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

INDEPENDENT AUDITORS

Pursuant to sections 485-488 of the Companies Act 2006, PricewaterhouseCoopers LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an annual general meeting

By order of the board

A handwritten signature in black ink, appearing to read 'P J Campbell', is written over the printed name.

P J Campbell
Company secretary
19 February 2013

PROSTAR SPORTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PROSTAR SPORTS LIMITED

We have audited the financial statements of Prostar Sports Limited for the year ended 31 December 2012 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 2 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the director's report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

PROSTAR SPORTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PROSTAR SPORTS LIMITED (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Alison Lees (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
19 February 2013

PROSTAR SPORTS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 £'000	2011 £'000
Turnover	3	13,395	11,695
Loss on ordinary activities before taxation	4	(642)	(409)
Tax on profit on ordinary activities	6	-	-
Loss for the financial year	15	(642)	(409)

All amounts relate to continuing operations

The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented

There is no material difference between the loss on ordinary activities before taxation and the loss for the financial years stated above and their historical cost equivalents

PROSTAR SPORTS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2012

	Note	2012 £'000	2011 £'000
Fixed assets			
Tangible assets	7	64	97
Intangible assets	8	-	(171)
Current assets			
Stock	9	2,830	3,982
Debtors	10	1,264	1,548
Cash at bank and in hand		3,735	3,474
		<u>7,829</u>	<u>9,004</u>
Creditors: amounts falling due within one year	11	(4,323)	(4,715)
Net current assets		<u>3,506</u>	<u>4,289</u>
Creditors: amounts falling due after more than one year	12	(2,820)	(2,823)
Net assets		<u>750</u>	<u>1,392</u>
Capital and reserves			
Called up share capital	14	1,500	1,500
Profit and loss account	15	(750)	(108)
Total shareholders' funds		<u>750</u>	<u>1,392</u>

The financial statements on pages 6 to 15 were approved by the board of directors on 19 February 2013 and signed on its behalf by



J M Godden
Director

Registered number: 1912919

PROSTAR SPORTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

1 ACCOUNTING POLICIES

Basis of preparation These financial statements are prepared on a going concern basis, under the historical cost convention, in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently with the prior year, is given in the following paragraphs.

The financial statements have been prepared on a going concern basis as the ultimate holding company, Pentland Group plc, has committed to provide full financial support to enable the company to meet its liabilities as they fall due for at least the next twelve months, and the foreseeable future thereafter.

Tangible fixed assets and depreciation Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated to write off the cost of tangible fixed assets, less their residual values, over their expected useful lives using the straight line basis. The expected useful lives of the assets to the business are reassessed periodically. The expected useful life of plant and equipment is three years, fixtures and fittings five years.

Intangible assets Negative goodwill is included in the balance sheet and is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through depreciation or sale. Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to the profit and loss account in the periods expected to benefit.

Stock Stock is valued at the lower of cost, determined on a FIFO method, and estimated net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stock.

Provisions Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Operating leases Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Foreign currencies Transactions in foreign currencies during the year are translated at the rate of exchange applicable at the transaction date, or if hedged forward, at the contracted rate. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date, or contracted rates where hedging arrangements are in place.

Foreign exchange differences on translation are recognised in the profit and loss account.

Turnover Turnover comprises the value of external sales, excluding sales related taxes. Sales are recognised as they are invoiced following the passing of title of goods.

1 ACCOUNTING POLICIES (continued)

Retirement benefits The company's employees can either be members of the defined benefit or defined contribution pension schemes. The total expense recognised in the profit and loss account in relation to pensions represents the actual contribution paid into the defined contribution scheme on behalf of employees. Contributions made during the year can be found in Note 5 of the financial statements.

The impact of Financial Reporting Standard (FRS) 17 Retirement Benefits on the defined benefit pension scheme have not been applied to the financial statements as the employer is unable to identify its share of the underlying assets and liabilities. The disclosures

required under FRS 17 Retirement Benefits are disclosed in the financial statements of Pentland Group plc, the company's ultimate parent undertaking.

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

- provision is made for gains on disposal of tangible fixed assets that have been rolled over into replacement assets only if, at the balance sheet date, there is a commitment to dispose of the replacement assets
- provision is made for deferred tax that would arise on remittance of net earnings of overseas subsidiaries, associates and joint ventures only to the extent that at the balance sheet date dividends have been received
- 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 a non-discounted basis at the average 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.

The deferred tax for the period and any adjustments in respect of previous periods are recognised in the profit and loss account. Tax arising on gains and losses that have been recognised in the statement of total recognised gains and losses are recognised in that statement.

2 CASH FLOW STATEMENT

Pentland Group plc, of which the company is a wholly owned subsidiary, has presented in its publicly available consolidated financial statements a group cash flow statement drawn up under the provisions of Financial Reporting Standard 1 (Revised 1996) Cash Flow Statements (FRS 1). Accordingly, the company has taken advantage of the exemption available under FRS 1 to dispense with presenting its own cash flow statement.

3 TURNOVER

The whole of the company's turnover is derived from the company's principal activities within the United Kingdom.

PROSTAR SPORTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

4 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2012	2011
	£'000	£000
Turnover	13,395	11,695
Cost of sales	(9,713)	(7,953)
Gross profit	<u>3,682</u>	<u>3,742</u>
Net operating expenses		
Distribution costs	(1,523)	(1,434)
Administrative expenses before exceptional items	(2,869)	(2,864)
- Release of negative goodwill	172	256
- Other exceptional expenses	(104)	(109)
Loss on ordinary activities before taxation	<u>(642)</u>	<u>(409)</u>

The following are included within the operating loss

	2012	2011
	£'000	£000
Staff costs:		
Wages and salaries	1,084	1,039
Social security costs	114	105
Other pension costs	47	29
	<u>1,245</u>	<u>1,173</u>
Depreciation of tangible fixed assets	34	33
Auditors' remuneration – audit services	8	-

Included within exceptional administrative expenses is £104,000 (2011 £109,000) for restructuring costs

PROSTAR SPORTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

5 DIRECTORS AND EMPLOYEES

The average monthly number of persons, including directors, employed by the company during the year was

	2012 Number	2011 Number
By activity:		
Management and administration	13	7
Selling and distribution	35	36
	<u>48</u>	<u>43</u>

The directors did not receive any emoluments in respect of their services to the company during the year (2011 nil)

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

Based upon the results, for the current and prior year there was no tax payable

The tax assessed for the year lower (2011 lower) than the standard rate of corporation tax in the UK of 24.5% (2011 26.5%) The differences are explained below

	2012 £'000	2011 £'000
Loss on ordinary activities before taxation	(642)	(409)
Loss on ordinary activities multiplied by the average rate in the UK of 24.5% (2011 26.5%)	(157)	(108)
Effects of		
Income not taxable		-
Group relief claimed for £nil consideration	43	168
Expenses not deductible for tax purposes	95	(67)
Depreciation in excess of capital allowances and other timing differences	18	4
Tax rate change impact	1	3
Current tax charge for the year	-	-

During the year, a change in the UK main corporation tax rate from 26% to 24% was substantively enacted and was effective from 1 April 2012

PROSTAR SPORTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

7 TANGIBLE ASSETS

	Plant and equipment £'000	Fixtures and fittings £'000	Total £'000
Cost			
At 1 January 2012	21	141	162
At 31 December 2012	21	141	161
Accumulated depreciation			
At 1 January 2012	(15)	(49)	(64)
Charge for the year	(2)	(32)	(34)
At 31 December 2012	(17)	(81)	(98)
Net book value at At 31 December 2012	4	60	64
At 31 December 2011	6	91	97

8 INTANGIBLE ASSETS

	Negative Goodwill £'000
Cost	
At 1 January 2012	(647)
At 31 December 2012	(647)
Accumulated amortisation	
At 1 January 2012	476
Charge for the year	171
At 31 December 2012	647
Net book value at: At 31 December 2012	-
At 31 December 2011	(171)

PROSTAR SPORTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012****9 STOCK**

The company's stock consists of finished goods held for resale. There is no material difference between the replacement cost of stock and the amount disclosed.

10 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £'000	2011 £'000
Trade debtors	1,036	896
Other debtors	177	614
Prepayments	51	38
	<u>1,264</u>	<u>1,548</u>

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £'000	2011 £'000
Amounts owed to fellow subsidiary undertakings	3,208	3,553
Trade creditors	72	50
Social security & other taxation	364	373
Accruals and deferred income	675	737
Other creditors	4	2
	<u>4,323</u>	<u>4,715</u>

Amounts owed to fellow subsidiary undertakings are unsecured, interest free and have no fixed date of repayment.

12 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2012 £'000	2011 £'000
Amounts owed to fellow subsidiary undertakings	2,820	2,823
	<u>2,820</u>	<u>2,823</u>

Amounts owed to fellow subsidiary undertakings are unsecured, interest free and have no fixed date of repayment.

PROSTAR SPORTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012****13 DEFERRED TAXATION**

The full potential deferred taxation asset, which has not been recognised, is as follows

	2012 £'000	2011 £'000
Depreciation in excess of capital allowances	28	11
Other timing differences	20	13
Prior year adjustment	(30)	-
	<u>18</u>	<u>24</u>

The directors consider that there is insufficient certainty that there will be taxable profits within the Pentland Group Plc tax group in the foreseeable future such as to realise the deferred tax asset, and therefore the asset has not been recognised in these financial statements

Based on current capital investment plans, the directors expect to continue to be able to claim capital allowances in excess of depreciation in future years at a similar level to the current year

14 CALLED UP SHARE CAPITAL

	2012 £'000	2011 £'000
Allotted and fully paid		
1,500,000 (2011 1,500,000) ordinary shares of £1 each	1,500	1,500
	<u> </u>	<u> </u>

15 PROFIT AND LOSS ACCOUNT

	2012 £'000	2011 £'000
At 1 January	(108)	301
Loss for the financial year	(642)	(409)
At 31 December (deficit)	<u>(750)</u>	<u>(108)</u>

PROSTAR SPORTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

16 COMMITMENTS AND CONTINGENCIES

Bank overdrafts are reported gross but the company and its UK fellow subsidiary undertakings have arrangements with their clearing banks whereby sterling and, if applicable, US dollar and euro cleared credit balances are set off against the respective sterling and foreign currency cleared debit balances on their current accounts and interest is paid only on the aggregate net overdrafts

The company is party to a guarantee in favour of its bank regarding the aggregate indebtedness on the cleared current account balances in sterling, US dollars and euros respectively of Pentland Group plc and of several UK fellow subsidiaries, which together comprise the overdraft group and participate in the set-off arrangements with the bank

The company's liability under the guarantee is limited to the lower of the account indebtedness of the relevant group companies and its own current account credit balances in sterling and the respective foreign currencies with the bank

The company had the following annual commitments under non-cancellable operating leases

	2012	2011
	£'000	£'000
Land and buildings		
Leases expiring,		
Over 5 years	100	100

17 RELATED PARTIES

Pentland Group plc, of which the company is a wholly owned subsidiary, has presented in its consolidated financial statements, which are publicly available, a related parties disclosure note under the provisions of Financial Reporting Standard 8 Related Party Disclosures (FRS 8). Accordingly, the company has taken advantage of the exemption available under FRS 8 to dispense with disclosing related party transactions with entities within the group, or investees of the group, qualifying as related parties

18 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is Pentland Industries Limited, a company registered in England, which has prepared financial statements for the year ended 31 December 2012 and these can be obtained from the company's registered office at 8 Manchester Square, London W1U 3PH. The immediate and ultimate parent undertaking is Pentland Group plc, a company registered in England. R S Rubin and his close family are considered the ultimate controlling party by virtue of their control of Pentland Group plc. Consolidated financial statements have been prepared by Pentland Group plc, which is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements for the year ended 31 December 2012. The consolidated financial statements of Pentland Group plc can be obtained from the company's registered office at 8 Manchester Square, London, W1U 3PH.