

# Asics UK Limited

## Report and Financial Statements

31 December 2008

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COMPANIES HOUSE

Registered No: 2104906

**Directors**

R Sekito  
R J Pietersen  
K Kato

**Secretary**

K Kato

**Auditors**

Ernst & Young LLP  
20 Chapel Street  
Liverpool  
L3 9AG

**Bankers**

Royal Bank of Scotland  
40 Horsemarket Street  
Warrington  
WA1 1XN

**Solicitors**

DLA  
101 Barbirolli Square  
Manchester  
M2 3BE

**Registered office**

Europa Boulevard  
Westbrook  
Warrington  
Cheshire  
WA5 7YS

## Directors' report

at 31 December 2008

The directors present their report and financial statements for the year ended 31 December 2008.

### Principal activities and review of the business

The company's principal activity during the year was the distribution of sportswear.

The company's key financial performance indicators during the year were as follows:

	2008 £	2007 £	Change %
Turnover	28,535,849	28,462,601	0.3
Profit before tax	3,022,495	2,479,996	21.9
Shareholders' funds	17,333,133	12,324,881	40.6

Turnover increased by 0.3% during the year primarily due to the continued upward trend in demand for running shoes.

Profit before tax increased by 21.9% due to better control of costs.

On 1 April 2009 the company transferred its stock (except that held in retail outlets) to Asics Europe BV. The transfer was at cost. Following the transfer the company operated the warehouse as agent for Asics Europe BV.

### Directors

The directors who served the company during the year were as follows:

R Sekito

R J Pietersen

K Kato – appointed 1 April 2008

K Hieda – resigned 31 March 2008

### Treasury policies

The company does not have a formal treasury team. This function is performed by local management and the parent company. The company finances its activities with cash and support from the parent company. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the company's operating activities.

### Foreign currency risk

The company's transactions are predominantly in sterling and it does not hedge any currency exposures.

### Interest rate risk

The company does not have any external debt.

### Credit risk

The company does not enter into transactions on deferred terms. In agreeing annual budgets, the company sets targets for debtors' days and doubtful debts expense against which performance is monitored.

### Liquidity risk

The company mitigates liquidity risk by managing cash generation by its operations, applying cash collection targets and setting authorisation limits for investment. The company funding strategy is not to rely on external finance, but to rely on group funding.

## **Directors' report**

**at 31 December 2008**

### **Price risk**

The company does not enter into swap or option contracts. No trading in derivative financial instruments has been undertaken in the year.

### **Communication with auditors**

In so far as each director is aware there is no relevant audit information of which the company's auditors are unaware. Each director has taken all steps that he or she ought to have done as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### **Auditors**

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board

加藤 壹巳

K Kato  
Secretary

15 June 2009

## **Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the annual report and 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 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 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 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 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **Independent auditors' report**

**to the members of Asics UK Limited**

We have audited the company's financial statements for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 17. 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 directors and auditors**

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

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 Directors' Report is consistent with the financial statements.

We also 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 judgments 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.

# Independent auditors' report

to the members of Asics UK Limited (continued)

## 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 company's affairs as at 31 December 2008 and of its profit 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.

*Ernst & Young LLP*  
Ernst & Young LLP  
Registered Auditor  
Liverpool

*1 July* 2009

## Profit and loss account

for the year ended 31 December 2008

	Notes	2008 £	2007 £
<b>Turnover</b>	2	28,535,849	28,462,601
Cost of sales		19,489,319	19,803,343
<b>Gross profit</b>		9,046,530	8,659,258
Administrative expenses		6,413,448	6,390,706
<b>Operating profit</b>	3	2,633,082	2,268,552
Bank interest receivable	6	389,413	211,444
<b>Profit on ordinary activities before taxation</b>		3,022,495	2,479,996
Tax on profit on ordinary activities	7	(1,985,757)	63,434
<b>Profit for the financial year after taxation</b>		5,008,252	2,416,562

## Statement of total recognised gains and losses

There are no recognised gains or losses other than the profit of £5,008,252 attributable to the shareholders for the year ended 31 December 2008 (2007 - profit of £2,416,562).



**Balance sheet**

at 31 December 2008

	Notes	2008 £	2007 £
<b>Fixed assets</b>			
Tangible assets	8	1,254,436	511,718
<b>Current assets</b>			
Stocks	9	101,398	7,360,702
Debtors	10	13,854,520	9,312,766
Deferred tax asset	7	2,096,740	-
Cash at bank and in hand		4,727,098	2,143,204
		20,779,756	18,816,672
<b>Creditors:</b> amounts falling due within one year	11	4,701,059	7,003,509
<b>Net current assets</b>		16,078,697	11,813,163
<b>Total assets less current liabilities</b>		17,333,133	12,324,881
<b>Capital and reserves</b>			
Called up share capital	14	28,201,789	28,201,789
Profit and loss account	15	(10,868,656)	(15,876,908)
<b>Equity shareholders' funds</b>	15	17,333,133	12,324,881

These financial statements were approved and authorised for issue by the board of directors on 2009 and were signed on its behalf by:



R Sekito  
Director

15 June 2009



K Kato  
Director

15 June 2009

## Notes to the financial statements

at 31 December 2008

### 1. Accounting policies

#### ***Basis of preparation***

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

#### ***Cash flow statement***

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes consolidated financial statements.

#### ***Revenue recognition***

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

#### ***Depreciation***

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life, as follows:

Fixtures, fittings, plant and machinery	- 5 years
Short leasehold improvements	- 5-15 years

#### ***Stocks***

Stocks are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Cost includes all expenditure incurred in bringing the stock to its present location and condition, as follows:

Finished goods - purchase cost on a first-in, first-out basis

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

#### ***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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax. Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### ***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 lease agreements***

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

## Notes to the financial statements

at 31 December 2008

### 1. Accounting policies (continued)

#### *Pension costs*

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

### 2. Turnover

Turnover comprises the invoiced amounts of goods and services, exclusive of value added tax, in respect of the company's continuing principal activity.

An analysis of turnover by geographical market is given below:

	2008 £	2007 £
United Kingdom	28,467,713	28,382,306
Rest of Europe	68,136	80,295
	<u>28,535,849</u>	<u>28,462,601</u>

### 3. Operating profit

This is stated after charging:

	2008 £	2007 £
Auditors' remuneration - audit services	35,000	30,000
Other fees to auditors - taxation services	10,000	9,500
	<u>134,439</u>	<u>100,664</u>
Depreciation of owned fixed assets	134,439	100,664
	<u>250,000</u>	<u>239,730</u>
Operating lease rentals - land and buildings	250,000	239,730
- plant and machinery	163,443	165,081
	<u>163,443</u>	<u>165,081</u>

### 4. Staff costs

	2008 £	2007 £
Wages and salaries	1,911,930	1,802,620
Social security costs	197,204	185,289
Staff pension contributions	30,497	32,162
	<u>2,139,631</u>	<u>2,020,071</u>

## Notes to the financial statements

at 31 December 2008

### 4. Staff costs (continued)

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

	2008 No.	2007 No.
Distribution staff	11	10
Administrative staff	57	58
	<u>68</u>	<u>68</u>

### 5. Directors' emoluments

	2008 £	2007 £
Emoluments	124,376	118,024
Company pension contributions to money purchase schemes	<u>7,666</u>	<u>7,301</u>

	2008 No.	2007 No.
Members of money purchase pension schemes	<u>1</u>	<u>1</u>

### 6. Interest receivable

	2008 £	2007 £
Bank interest receivable	116,569	29,548
Group interest	272,844	181,896
	<u>389,413</u>	<u>211,444</u>

## Notes to the financial statements

at 31 December 2008

### 7. Taxation on ordinary activities

#### (a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2008 £	2007 £
<i>Current tax:</i>		
UK corporation tax (note 7(b))	110,983	63,434
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(2,096,740)	-
	<u>(1,985,757)</u>	<u>63,434</u>

#### (b) Factors affecting current tax charge

The differences are reconciled below:

	2008 £	2007 £
Profit on ordinary activities before tax	3,022,495	2,479,996
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28.5% (2007 - 30%)	861,411	743,999
Expenses not deductible for tax purposes	14,597	17,681
Capital allowances in excess of depreciation	10,998	(5,957)
Utilisation of tax losses	(776,023)	(692,289)
Total current tax (note 7(a))	<u>110,983</u>	<u>63,434</u>

#### (c) Deferred tax

The deferred taxation asset recognised (2007 - not recognised) in the financial statements is as follows:

	Recognised 2008 £	Not recognised 2007 £
Depreciation in advance of capital allowances	(38,590)	20,149
Tax losses available	(2,057,516)	(3,022,356)
Other timing differences	(634)	(743)
	<u>(2,096,740)</u>	<u>(3,002,950)</u>

The company has established consistent profitability since 2002 and the directors expect this trend to continue. Accordingly, in the directors' opinion the deferred tax asset will be recoverable by offset against future taxable profits and, therefore, that it is appropriate to recognise the deferred tax asset in the financial statements.

## Notes to the financial statements

at 31 December 2008

### 8. Tangible fixed assets

	<i>Short leasehold improvement</i>	<i>Fixtures fittings, plant &amp; machinery</i>	<i>Total</i>
	£	£	£
Cost:			
At 1 January 2008	594,865	548,872	1,143,737
Additions	827,518	66,889	894,407
Disposals	-	(17,250)	(17,250)
At 31 December 2008	1,422,383	598,511	2,020,894
Depreciation:			
At 1 January 2008	208,618	423,401	632,019
Provided during the year	95,835	38,604	134,439
Disposals	-	-	-
At 31 December 2008	304,453	462,005	766,458
Net book value:			
At 31 December 2008	1,117,930	136,506	1,254,436
At 31 December 2007	386,247	125,471	511,718

### 9. Stocks

	2008	2007
	£	£
Finished goods	101,398	7,360,702

### 10. Debtors

	2008	2007
	£	£
Trade debtors	4,884,777	5,975,452
Amounts owed from group undertakings	8,500,658	3,001,216
Other debtors	70,883	13,966
Prepayments and accrued income	398,202	322,132
	13,854,520	9,312,766

## Notes to the financial statements

at 31 December 2008

### 11. Creditors: amounts falling due within one year

	2008	2007
	£	£
Trade creditors	568,766	422,538
Amounts owed by group undertakings	2,506,439	5,528,310
Corporation tax	88,983	34,184
Other taxation and social security	134,481	130,255
Accruals and deferred income	1,402,390	888,222
	<u>4,701,059</u>	<u>7,003,509</u>

### 12. Commitments under operating leases

At 31 December 2008 the company had annual commitments under non-cancellable operating leases as set out below:

	2008		2007	
	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	£	£	£	£
Operating leases which expire:				
Within one year	-	38,006	-	27,030
In two to five years	55,000	28,432	55,000	119,916
In over five years	431,500	-	195,000	-
	<u>486,500</u>	<u>66,438</u>	<u>250,000</u>	<u>146,946</u>

### 13. Related party transactions

The company is a wholly owned subsidiary undertaking of Asics Europe BV, a company registered in Holland, which publishes consolidated financial statements. The company has therefore, pursuant to paragraph 17 of FRS 8 "Related Party Disclosures", not included details of transactions with other companies which are subsidiaries of Asics Europe BV.

### 14. Share capital

	2008	2007
	£	£
<i>Authorised</i>		
Ordinary shares of £1 each	<u>30,500,000</u>	<u>30,500,000</u>
	2008	2007
	No.	No.
	£	£
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	28,201,789	28,201,789
	<u>28,201,789</u>	<u>28,201,789</u>

## Notes to the financial statements

at 31 December 2008

### 15. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital £</i>	<i>Profit and loss account £</i>	<i>Total share- holders' funds £</i>
At 1 January 2007	28,201,789	(18,293,470)	9,908,319
Profit for the year	-	2,416,562	2,416,562
At 31 December 2007	28,201,789	(15,876,908)	12,324,881
Profit for the year	-	5,008,252	5,008,252
At 31 December 2008	28,201,789	(10,868,656)	17,333,133

### 16. Ultimate parent company

The company's immediate parent undertaking is Asics Europe BV, a company incorporated in Holland. In the directors' opinion, the company's ultimate parent company and controlling party is Asics Corporation, a company incorporated in Japan. Copies of its group accounts can be obtained from 7-1-1, Minatojima - Nakamachi, Chuo-ku, Kobe 650, Japan.

### 17. Events after the balance sheet date

On 20 March 2009 the company passed a special resolution to reduce its issued and fully paid share capital from 28,201,789 ordinary shares of £1 to 7,000,000 ordinary shares of £1.