


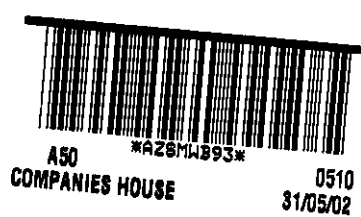
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ASICS UK LIMITED

Report and Accounts

31 December 2000

 ERNST & YOUNG



Asics UK Limited

Registered No. 2104906

DIRECTORS

M Oyama
R Sekito

SECRETARY

M Oyama

AUDITORS

Ernst & Young LLP
100 Barbirolli Square
Manchester
M2 3EY

BANKERS

Lloyds TSB
6-7 Park Row
Leeds
LS1 1NX

SOLICITORS

DLA
101 Barbirolli Square
Manchester
M2

REGISTERED OFFICE

Europa Boulevard
Westbrook
Warrington
Cheshire
WA5 5YS

DIRECTORS' REPORT

The directors present herewith their annual report, together with the audited financial statements of the company for the year ended 31 December 2000.

RESULTS AND DIVIDENDS

The loss for the year after taxation was £2,042,218 (6 months ended 31 December 1999 - £2,239,363). The directors do not recommend the payment of a dividend.

REVIEW OF THE BUSINESS

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

SHARE CAPITAL

On 22 December 2000 the authorised share capital was increased to 29,500,000 ordinary shares of £1 each. On the same date, Asics Europe BV subscribed to 2,500,000 new shares at par.

On 21 December 2001, the authorised share capital was further increased to 30,500,000 ordinary shares of £1 each. On the same date, Asics Europe BV subscribed to 1,000,000 new shares at par.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year were as follows:

E Ito	(resigned 2 July 2001)
K Arita	(resigned 22 March 2000)
B Griffin	(resigned 31 December 2001)
M Oyama	(appointed 15 December 2000)
M Uetsuki	(resigned 2 July 2001)
T Yagi	(appointed 23 March 2000; resigned 15 December 2000)

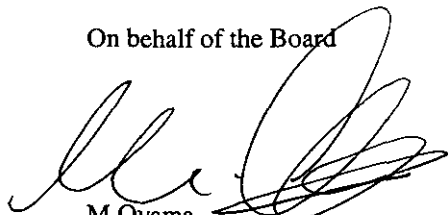
R Sekito was appointed as a director on 1 January 2002.

There are no directors' interests requiring disclosure under the Companies Act 1985.

AUDITORS

On 28 June 2001, Ernst & Young, the Company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

On behalf of the Board



M Oyama
Director

02 APR 2002

STATEMENT OF DIRECTORS RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts 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 accounts 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 2000 which comprise Profit and Loss Account, Balance Sheet and the related notes 1 to 18. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Fundamental uncertainty

A provision has been made in the financial statements for liabilities in respect of underpayments in prior periods of PAYE and National Insurance contributions. In forming our opinion, we have considered the adequacy of the disclosures made in the accounts concerning the directors' estimate of the amount of the company's liabilities in relation to these matters. The accuracy of such provision depends on the further investigations being carried out by the company and resolution of negotiations with the relevant parties. Details of the circumstances relating to this fundamental uncertainty are described in note 12. Our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Manchester

Date 23 May 2002

Asics UK Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2000

		<i>Year to</i> <i>31 December</i> <i>2000</i>	<i>6 months to</i> <i>31 December</i> <i>1999</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>
TURNOVER	2	11,027,962	7,682,122
Cost of sales		(7,794,844)	(5,304,154)
GROSS PROFIT		3,233,118	2,377,968
Other operating expenses		(4,850,679)	(3,603,680)
Provision for PAYE/VAT and other taxation liabilities	12	-	(925,000)
OPERATING LOSS	3	(1,617,561)	(2,150,712)
Interest payable	6	(433,200)	(88,651)
Interest receivable		8,543	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(2,042,218)	(2,239,363)
Taxation	7	-	-
RETAINED LOSS FOR THE PERIOD		(2,042,218)	(2,239,363)

RECOGNISED GAINS AND LOSSES

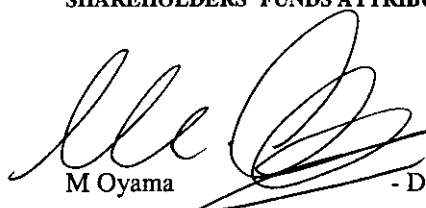
There are no recognised gains or losses for either period other than the retained loss shown above.

Asics UK Limited

BALANCE SHEET at 31 December 2000

		31 December 2000	31 December 1999
	Notes	£	£
FIXED ASSETS			
Tangible assets	8	47,722	61,903
CURRENT ASSETS			
Stocks	9	3,299,182	2,549,113
Debtors	10	2,383,398	3,683,488
Cash at bank and in hand		1,320,472	824,204
		<u>7,003,052</u>	<u>7,056,805</u>
CREDITORS: amounts falling due within one year	11	5,992,967	6,178,741
		<u>1,001,085</u>	<u>878,064</u>
NET CURRENT ASSETS			
		<u>1,057,807</u>	<u>939,967</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>1,057,807</u>	<u>939,967</u>
PROVISIONS FOR LIABILITIES AND CHARGES	12	585,058	925,000
		<u>472,749</u>	<u>14,967</u>
CAPITAL AND RESERVES			
Called up share capital	13	27,201,789	24,701,789
Profit and loss account	14	(26,729,040)	24,686,822
		<u>472,749</u>	<u>14,967</u>
SHAREHOLDERS' FUNDS ATTRIBUTABLE TO EQUITY INTERESTS			
		<u>472,749</u>	<u>14,967</u>

ERNST & YOUNG


M Oyama - Director

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NOTES TO THE ACCOUNTS

for the year ended 31 December 2000

1. ACCOUNTING POLICES

Accounting convention

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

Turnover

Turnover comprises the invoiced amounts of goods and services exclusive of value added tax.

Depreciation

Tangible fixed assets are stated at cost or valuation. Depreciation is charged over the expected lives of the assets which are usually:

Leasehold improvements	-	5 years
Fixtures and fittings	-	5 years
Plant and machinery	-	5 years

Stocks

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

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange 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 and all gains or losses are taken to the profit and loss account.

Pension cost

The company makes defined contribution payments to certain personal pension plans of employees and directors. These costs are charged to the profit and loss account as they become payable.

Leasing

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences, including those relating to pensions, which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Deferred taxation assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

Asics UK Limited

NOTES TO THE ACCOUNTS

for the year ended 31 December 2000

2. TURNOVER

The analysis of turnover by geographical market is given below:

	<i>Year to 31 December 2000</i>	<i>6 months to 31 December 1999</i>
	<i>£</i>	<i>£</i>
By destination:		
United Kingdom	10,931,234	7,654,539
Europe	79,413	24,407
Rest of the World	17,315	3,176
	<u>11,027,962</u>	<u>7,682,122</u>

The company's principal activity was the distribution of sportswear, all of which was based in the United Kingdom.

3. OPERATING LOSS

This is stated after charging:

	<i>Year to 31 December 2000</i>	<i>6 months to 31 December 1999</i>
	<i>£</i>	<i>£</i>
Auditors' remuneration - audit services	27,500	30,000
- non audit services	14,250	72,250
Depreciation of owned assets	24,144	11,826
Operating lease rentals	185,557	69,760
	<u>251,451</u>	<u>183,836</u>

4. DIRECTORS' EMOLUMENTS

	<i>Year to 31 December 2000</i>	<i>6 months to 31 December 1999</i>
	<i>£</i>	<i>£</i>
Emoluments including pension contributions and benefits	62,593	38,841
	<u>62,593</u>	<u>38,841</u>

Asics UK Limited

NOTES TO THE ACCOUNTS

for the year ended 31 December 2000

5. STAFF COSTS

	<i>Year to 31 December 2000 £</i>	<i>6 months to 31 December 1999 £</i>
Wages and salaries	683,362	564,423
Social security costs	56,343	43,934
Other pension costs	16,195	4,229
	<u>755,900</u>	<u>612,586</u>

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

	<i>Year to 31 December 2000 No.</i>	<i>6 months to 31 December 1999 No.</i>
Administration	29	72
Selling and distribution	20	24
	<u>49</u>	<u>96</u>

6. INTEREST PAYABLE

	<i>Year to 31 December 2000 £</i>	<i>6 months to 31 December 1999 £</i>
On bank loans and overdrafts	-	4,067
On loan from parent undertaking	283,938	-
Other	149,262	84,584
	<u>433,200</u>	<u>88,651</u>

Asics UK Limited

NOTES TO THE ACCOUNTS

for the year ended 31 December 2000

7. TAXATION

	<i>Year to 31 December 2000 £</i>	<i>6 months to 31 December 1999 £</i>
Corporation tax	-	-

The company has gross tax losses in excess of £5,000,000 to carry forward against future profits of the same trade. The amounts for deferred taxation provided and not recognised are as follows:

	<i>Provided 31 December 2000 £</i>	<i>31 December 1999 £</i>	<i>Not recognised 31 December 2000 £</i>	<i>31 December 1999 £</i>
Capital allowances in advance of depreciation	-	-	(5,391)	(4,527)
Other timing difference	-	-	(15,000)	-
	-	-	(20,391)	(4,527)

8. TANGIBLE FIXED ASSETS

	<i>Leasehold improvements £</i>	<i>Fixtures and fittings £</i>	<i>Plant and machinery £</i>	<i>Total £</i>
<i>Cost:</i>				
At 1 January 2000	47,664	419,937	46,399	514,000
Additions	-	2,781	7,182	9,963
Disposals	-	(171,925)	-	(171,925)
At 31 December 2000	47,664	250,793	53,581	352,038
<i>Depreciation:</i>				
At 1 January 2000	41,478	364,220	46,399	452,097
Charge for the period	2,149	21,875	120	24,144
Disposals	-	(171,925)	-	(171,925)
At 31 December 2000	43,627	214,170	46,519	304,316
<i>Net book value:</i>				
At 31 December 2000	4,037	36,623	7,062	47,722
At 31 December 1999	76,186	55,717	-	61,903

Asics UK Limited

NOTES TO THE ACCOUNTS

for the year ended 31 December 2000

9. STOCKS

	<i>31 December 2000</i>	<i>31 December 1999</i>
	£	£
Finished goods and goods for resale	3,299,182	2,549,113

The difference between purchase price of stocks and their replacement cost is not material.

10. DEBTORS

	<i>31 December 2000</i>	<i>31 December 1999</i>
	£	£
Trade debtors	1,411,237	2,534,486
Amounts owed by immediate parent undertaking	4,966	7,498
Amounts owed by ultimate parent undertaking	-	3,912
Amounts owed by fellow subsidiaries	24,504	47,898
Other debtors	813,156	268,629
Prepayments	129,535	826,065
	<u>2,383,398</u>	<u>3,683,488</u>

Included within trade debtors is £1,263,098 of factored debts (31 December 1999: £2,039,871)

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<i>31 December 2000</i>	<i>31 December 1999</i>
	£	£
Trade creditors	1,049,084	848,848
Invoice discounting	567,650	980,455
Amounts owed to ultimate parent undertaking	212	6,124
Amounts owed to immediate parent undertaking	3,727,023	2,721,185
Amounts owed to fellow subsidiaries	7,163	198,600
Corporation tax	136,000	136,000
Other tax and social security	17,761	26,644
Other creditors and accruals	488,074	1,260,885
	<u>5,992,967</u>	<u>6,178,741</u>

NOTES TO THE ACCOUNTS

for the year ended 31 December 2000

12. PROVISIONS FOR LIABILITIES AND CHARGES

	£
At 31 December 1999	925,000
Utilised	(339,942)
At 31 December 2000	<u>585,058</u>

The provision at the period end of £585,058 is for the directors' best estimate of liabilities in respect of underpayments of PAYE and National Insurance Contributions. At present the directors are working with their advisors to determine the likely ultimate liability, the current assessment of which is based upon a number of broad assumptions. Information currently available to the directors suggests that the liabilities relate to the period from 1994 to 1999. However, due to the inherent uncertainty in the assumptions which have had to be made, due to insufficient information being available, it is not possible to determine with any material accuracy the extent of the total liability.

It is expected that the matter will be resolved, and amounts due settled, within the next twelve months.

13. SHARE CAPITAL

	<i>31 December</i> 2000	<i>Authorised</i> <i>31 December</i> 1999
	<i>No.</i>	<i>No.</i>
Ordinary shares of £1 each	<u>29,500,000</u>	<u>27,000,000</u>
		<i>Allotted, called up and fully paid</i>
	<i>31 December</i> 2000	<i>31 December</i> 1999
	£	£
Ordinary shares of £1 each	<u>27,201,789</u>	<u>24,701,789</u>

Due to a worsening of its financial position during the year, on 22 December 2000 the authorised share capital was increased to 29,500,000 ordinary shares of £1 each. On the same date, Asics Europe BV subscribed to 2,500,000 new shares at par.

NOTES TO THE ACCOUNTS

for the year ended 31 December 2000

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £	Profit and loss account £	Total £
At 30 June 1999	17,701,789	(22,447,459)	(4,745,670)
Loss for the period	-	(2,239,363)	(2,239,363)
New shares subscribed for	7,000,000	-	7,000,000
At 31 December 1999	24,701,789	(24,686,822)	14,967
Loss for the period	-	(2,042,218)	(2,042,218)
New shares subscribed for	2,500,000	-	2,500,000
At 31 December 2000	27,201,789	(26,729,040)	472,749

15. COMMITMENTS

At 31 December 2000 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	31 December 2000 £	31 December 1999 £	31 December 2000 £	31 December 1999 £
Leases which expire:				
within one year	-	-	1,875	21,201
in two to five years	-	-	26,719	23,908
in over five years	128,632	128,612	-	-
	128,632	128,612	28,594	45,109

16. RELATED PARTIES

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.

17. 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 group accounts can be obtained from 7-1-1, Minatojima - Nakamachi, Chuo-ku, Kobe 650, Japan.

18. POST BALANCE SHEET EVENT

On 21 December 2001, the authorised share capital was increased to 30,500,000 ordinary shares of £1 each. On the same date, Asics Europe BV subscribed to 1,000,000 new shares at par.