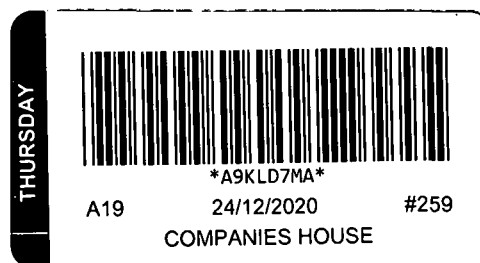


**COMPANY REGISTRATION NUMBER: 4245687**

**PRO-DIRECT SPORT LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

**Peplows Limited**  
Registered Auditors and Chartered Accountants  
Moorgate House  
King Street  
Newton Abbot  
Devon  
TQ12 2LG



**PRO-DIRECT SPORT LIMITED**  
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**PRO-DIRECT SPORT LIMITED**  
**COMPANY INFORMATION**

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**Directors**                Mr A J Lake  
                                 Mr N W Lake  
                                 Mr M W Lake  
                                 Mr P J Hammond

**Company secretary**    Mr N W Lake

**Registered office**       Pro-Direct Sport Ltd  
                                 Shaldon Road  
                                 Newton Abbot  
                                 Devon  
                                 TQ12 4PQ

**Auditors**                Peplows Limited  
                                 Registered Auditors and Chartered Accountants  
                                 Moorgate House  
                                 King Street  
                                 Newton Abbot  
                                 Devon  
                                 TQ12 2LG

## **PRO-DIRECT SPORT LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

---

The directors present their strategic report for the year ended 31 December 2019.

#### **Principal activity**

The principal activity of the company is on-line and digital retail of specialist sports equipment and related apparel.

#### **Fair review of the business**

Pro-Direct continues to focus upon increasing the accessibility and delivery of unrivalled choice and engagement to customers purchasing from the Pro-Direct Soccer, Running, Rugby, Cricket, Tennis, Basketball, and Select brand sites.

The company drives business performance through setting clearly defined and measured key performance indicators taking appropriate action where required to enhance the financial results of the business.

Turnover for the year was £98,092,289 and represents a turnover increase of 2.96%. The gross profit margin for the year was 29.67% compared to 26.84% for the previous year.

Losses for the year, before tax and dividends, are £108,543 net of investments in technology and related projects. Net assets at the period end are £27,782,513, a 5.2% reduction over the previous period end and inline with expectations.

The operating loss is stated after charging continued investments in technology, distribution centres and people. The investments support the future growth and consolidation of improvement to the Microsoft Dynamics AX platform underpinning the company's technology strategy.

In parallel with the Microsoft Dynamics AX project, the company has made substantial investment in a multiyear project to deliver continuous transformation and scale to consumer centric front-end capabilities through a new web content and digital experience platform. The investment incurred during the year is capitalised and disclosed under internally generated software development costs within Intangible Assets. The remaining legacy sites will complete their transition during 2021.

The contemporary digital platform will drive increased levels of customer experience and bespoke curation, to fully enable the Pro-Direct specialist positioning and deliver on the multi-year investment in retail transformation in line with expectations.

Distribution centre operations in the Czech Republic achieved a successful "Go Live" in November 2018 and continued to operate thereafter free of technology challenges. The Czech distribution centre is an important element in managing the consequences of the UK's departure from the European Union.

The directors are confident the company remains in a strong trading and financial position resulting from the increasing benefits of the technology investment and continuous improvement. The company delivered on an expected return to profitability in 2020 which has been achieved despite the extraordinary challenges of COVID-19.

The business benefited from a remarkable and positive response by our people to the challenges of COVID-19 pandemic during 2020. The directors are correspondingly confident the company will continue to operate successfully through the remainder of the pandemic into 2021.

**PRO-DIRECT SPORT LIMITED**  
**STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

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**Principal risks and uncertainties**

The company's activities expose it to a number of financial risks including foreign exchange risk, credit risk, cashflow risk and liquidity risk. The use of financial derivatives is governed by the board of directors who manage these risks.

The company does not use financial instruments for speculative purposes.

The following highlight the principal risks:

**Competitor activity**

The retail environment for specialist sports footwear, apparel and equipment is highly competitive and sensitive to current trends and events. The company counters competitor risk by continuous development of on-line offerings, brand promotion and the specialist performance-based retail offering.

**Economic risk**

The company recognises that economic conditions and uncertainty affect customer sentiment and buying decisions. Continued development of the retail offering to UK, EU and widespread international customers diminishes the risk associated with any single market.

**Supplier risk**

The company values and relies upon mutually close and committed relationships with all its brand partners for its specialist performance-based retail offering; impairment of those relationships presents a risk to the company's commitment to building growth.

**Credit risk**

The company's principal financial assets are bank balances, trade debtors and credit card receivables. The credit risk is primarily attributable to the risk of fraud resulting in charge backs on credit card transactions. The fraud risk is actively limited through strong customer authentication, fraud review procedures and the transfer of risk to the providers of merchant services. The credit risk on liquid funds is limited because counterparties are banks with high credit ratings. Trade debtors are subject to collection procedures which limit exposure to bad debts.

**Liquidity risk**

To maintain enough liquidity to ensure that funds are available for both ongoing operations and future developments, the company uses a combination of appropriate long-term debt to finance major investment and internal cash flow to finance ongoing operations and future developments. The company avoids short term debt finance and retains the scope for such funding to cover operating and business development risks.

**Reputational risk**

The company is strongly protective of its on-line specialist sports brands and recognises that there is a reputational risk as with any specialist customer focused brand.

**Political risk**

The company recognises that the referendum vote to leave the European Union created significant uncertainty and risk with a range of possible trade and regulatory outcomes. The company will continue to limit the risks and has undertaken measures to maintain and develop trade within the European Union, on terms equivalent to those applicable to the company and its customers prior to the referendum vote. The Czech distribution centre is a key element of managing this risk.

**PRO-DIRECT SPORT LIMITED**  
**STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

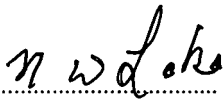
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**COVID-19 risk**

The corona virus pandemic and Lockdown response resulted in substantially all our people working remotely except for warehousing teams and a small number of key on-site dependant roles. Appropriate social distancing and hygiene procedures were implemented, and government guidelines followed.

The impact of the Lockdown and other government measures on grass roots sports, has resulted in changes to consumer spending patterns. The company ensures its offering to customers is appropriate and timely to customer needs at all stages of the pandemic. The company will respond dynamically to the continuing uncertainty and the consequences of any future government measures.

Approved by the Board on 23 December 2020 and signed on its behalf by:



Mr N W Lake  
Company secretary and director

## **PRO-DIRECT SPORT LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

---

The directors present their report and the financial statements for the year ended 31 December 2019.

#### **Directors of the company**

The directors who held office during the year were as follows:

Mr A J Lake

Mr N W Lake - Company secretary and director

Mr M W Lake

Mr P J Hammond

#### **Financial instruments**

#### ***Price risk, credit risk, liquidity risk and cash flow risk***

Details disclosed in the strategic report.

#### **Employment of disabled persons**

Full consideration is given to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. The company has continued the employment wherever possible of any person who becomes disabled during their employment. Opportunities for training, career development and promotion do not operate to the detriment of disabled employees.

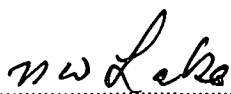
#### **Engagement with suppliers, customers and other relationships**

The company's policy is to settle terms of payment with suppliers and abide by the terms which vary with the nature of supply and the supplier. Trade creditors of the company at 31st December 2019 were equivalent to 39 days (2018 - 50 days) based on the average daily amount invoiced by suppliers during the period.

#### **Disclosure of information to the auditors**

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Approved by the Board on 23 December 2020 and signed on its behalf by:



Mr N W Lake

Company secretary and director

**PRO-DIRECT SPORT LIMITED**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

---

The directors acknowledge their responsibilities for preparing the Annual 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 elected to prepare 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 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; 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 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.



## **PRO-DIRECT SPORT LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRO-DIRECT SPORT LIMITED**

---

#### **Opinion**

We have audited the financial statements of Pro-Direct Sport Limited (the 'company') for the year ended 31 December 2019, which comprise the Profit and loss account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 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.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **PRO-DIRECT SPORT LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRO-DIRECT SPORT LIMITED**

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#### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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.

#### **Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities [set out on page 6], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

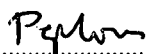
**PRO-DIRECT SPORT LIMITED**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRO-DIRECT SPORT LIMITED**

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**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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.



.....  
Michael Young BSC FCA (Senior Statutory Auditor)  
For and on behalf of Peplows Limited, Statutory Auditor

Moorgate House  
King Street  
Newton Abbot  
Devon  
TQ12 2LG

23 December 2020

**PRO-DIRECT SPORT LIMITED**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £	2018 £
Turnover	3	98,092,289	95,273,565
Cost of sales		<u>(68,992,933)</u>	<u>(69,698,504)</u>
Gross profit		29,099,356	25,575,061
Distribution costs		(21,461,891)	(19,096,383)
Administrative expenses		(7,788,064)	(7,829,792)
Other operating income	4	<u>222,701</u>	<u>751,845</u>
Operating profit/(loss)	5	<u>72,102</u>	<u>(599,269)</u>
Other interest receivable and similar income	6	3,430	199
Interest payable and similar charges	7	<u>(184,075)</u>	<u>(133,726)</u>
		<u>(180,645)</u>	<u>(133,527)</u>
Loss before tax		(108,543)	(732,796)
Taxation	10	<u>-</u>	<u>(42,253)</u>
Loss for the financial year		<u><u>(108,543)</u></u>	<u><u>(775,049)</u></u>

The above results were derived from continuing operations.

The company has no recognised gains or losses for the year other than the results above.

The notes on pages 15 to 29 form an integral part of these financial statements.

**PRO-DIRECT SPORT LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER**  
**2019**

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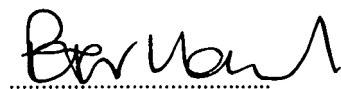
	Note	2019 £	2018 £
Loss for the year		<u>(108,543)</u>	<u>(775,049)</u>
Total comprehensive income for the year		<u><u>(108,543)</u></u>	<u><u>(775,049)</u></u>

The notes on pages 15 to 29 form an integral part of these financial statements.

**PRO-DIRECT SPORT LIMITED**  
**(REGISTRATION NUMBER: 4245687)**  
**BALANCE SHEET AS AT 31 DECEMBER 2019**

	Note	2019 £	2018 £
<b>Fixed assets</b>			
Intangible assets	11	1,080,719	21,541
Tangible assets	12	<u>3,556,322</u>	<u>3,871,316</u>
		<u>4,637,041</u>	<u>3,892,857</u>
<b>Current assets</b>			
Stocks	13	31,756,604	35,855,391
Debtors	14	9,877,673	9,396,115
Cash at bank and in hand		<u>1,825,113</u>	<u>1,968,294</u>
		43,459,390	47,219,800
<b>Creditors: Amounts falling due within one year</b>	16	<u>(18,313,109)</u>	<u>(18,838,026)</u>
<b>Net current assets</b>		<u>25,146,281</u>	<u>28,381,774</u>
<b>Total assets less current liabilities</b>		29,783,322	32,274,631
<b>Creditors: Amounts falling due after more than one year</b>	16	(1,998,208)	(2,973,474)
<b>Provisions for liabilities</b>	18	<u>(2,601)</u>	<u>(2,601)</u>
<b>Net assets</b>		<u>27,782,513</u>	<u>29,298,556</u>
<b>Capital and reserves</b>			
Called up share capital	20	100	100
Profit and loss account		<u>27,782,413</u>	<u>29,298,456</u>
<b>Total equity</b>		<u>27,782,513</u>	<u>29,298,556</u>

Approved and authorised for issue by the Board on 23 December 2020 and signed on its behalf by:



Mr P J Hammond  
Director

The notes on pages 15 to 29 form an integral part of these financial statements.

**PRO-DIRECT SPORT LIMITED**  
**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019**

	Share capital £	Profit and loss account £	Total £
At 1 January 2019	<u>100</u>	<u>29,298,456</u>	<u>29,298,556</u>
Loss for the year	<u>-</u>	<u>(108,543)</u>	<u>(108,543)</u>
Total comprehensive income	-	(108,543)	(108,543)
Dividends	<u>-</u>	<u>(1,407,500)</u>	<u>(1,407,500)</u>
At 31 December 2019	<u>100</u>	<u>27,782,413</u>	<u>27,782,513</u>

	Share capital £	Profit and loss account £	Total £
At 1 January 2018	<u>100</u>	<u>31,323,505</u>	<u>31,323,605</u>
Loss for the year	<u>-</u>	<u>(775,049)</u>	<u>(775,049)</u>
Total comprehensive income	-	(775,049)	(775,049)
Dividends	<u>-</u>	<u>(1,250,000)</u>	<u>(1,250,000)</u>
At 31 December 2018	<u>100</u>	<u>29,298,456</u>	<u>29,298,556</u>

The notes on pages 15 to 29 form an integral part of these financial statements.

**PRO-DIRECT SPORT LIMITED**  
**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £	2018 £
<b>Cash flows from operating activities</b>			
Loss for the year		(108,543)	(775,049)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	1,003,904	990,095
Provision for intercompany loans		-	396,663
Loss/(profit) on disposal of tangible assets		199	(1,596)
Finance income	6	(3,430)	(199)
Finance costs	7	184,075	133,726
Income tax expense	10	-	42,253
		<u>1,076,205</u>	<u>785,893</u>
Working capital adjustments			
Decrease/(increase) in stocks	13	4,098,787	(2,022,453)
Decrease in trade debtors	14	1,527,278	2,000,401
(Decrease)/increase in trade creditors	16	<u>(2,081,507)</u>	<u>1,098,019</u>
Cash generated from operations		4,620,763	1,861,860
Income taxes paid	10	<u>(171,432)</u>	<u>(676,362)</u>
Net cash flow from operating activities		<u>4,449,331</u>	<u>1,185,498</u>
<b>Cash flows from investing activities</b>			
Interest received	6	3,430	199
Acquisitions of tangible assets		(700,662)	(665,902)
Proceeds from sale of tangible assets		15,649	1,596
Acquisition of intangible assets	11	<u>(1,063,274)</u>	<u>-</u>
Net cash flows from investing activities		<u>(1,744,857)</u>	<u>(664,107)</u>
<b>Cash flows from financing activities</b>			
Interest paid	7	(184,075)	(133,726)
Proceeds from bank borrowing draw downs		-	1,450,000
Repayment of bank borrowing		(800,000)	(45,524)
Proceeds from other borrowing draw downs		-	39,096
Repayment of other borrowing		(1,877,656)	(58,860)
Payments to finance lease creditors		(135,011)	-
Dividends paid	22	<u>(1,407,500)</u>	<u>(1,250,000)</u>
Net cash flows from financing activities		<u>(4,404,242)</u>	<u>986</u>
Net (decrease)/increase in cash and cash equivalents		(1,699,768)	522,377
Cash and cash equivalents at 1 January		<u>(494,222)</u>	<u>(1,016,599)</u>
Cash and cash equivalents at 31 December		<u>(2,193,990)</u>	<u>(494,222)</u>

The notes on pages 15 to 29 form an integral part of these financial statements.



**PRO-DIRECT SPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER**  
**2019**

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**1 General information**

The company is a private company limited by share capital, incorporated in England & Wales.

The address of its registered office is:

Pro-Direct Sport Ltd  
Shaldon Road  
Newton Abbot  
Devon  
TQ12 4PQ  
United Kingdom

These financial statements were authorised for issue by the Board on 23 December 2020.

**2 Accounting policies**

**Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**Statement of compliance**

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

**Basis of preparation**

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

The financial statements are presented in Sterling and are round to the nearest £.

**Key sources of estimation uncertainty**

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Stock is carried at the lower of cost and realisable value. The net realisable value of stock is estimated using the ageing profile of the stock on hand, historical sales patterns and post year end trading patterns.

Other areas of judgement and estimation include impairment adjustments to amounts due from group undertakings.

**Revenue recognition**

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Turnover is shown net of value added tax.

The company recognises revenue when goods or services are provided.

**Foreign currency transactions and balances**

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the accounting date. All exchange differences are charged or credited to the profit and loss account.

## **PRO-DIRECT SPORT LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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#### **Tax**

The tax expense for the period comprises tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the financial statements.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

#### **Tangible assets**

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

#### **Depreciation**

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, as follows:

<b>Asset class</b>	<b>Depreciation method and rate</b>
Freehold property	4% and 2% on cost
Short leasehold	10% on cost
Plant and machinery	20%, 17% and 14% on cost
Fixtures and equipment	10% on cost
Website and software	50 and 20% on cost
Computer equipment	33%, 25% and 20% on cost

No depreciation is provided on freehold land.

Website and software development work is capitalised to the extent that it creates an enduring asset and where reasonable grounds exist for supposing that economic benefits in excess of the amounts capitalised will be generated.

#### **Goodwill**

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation. Goodwill is held in the currency of the acquired entity. Goodwill is amortised over its useful life.

#### **Intangible assets**

Intellectual property rights:

Intangible assets are initially measured at cost and subsequently at cost less accumulated amortisation and any impairment losses.

The company has registered its brand names and logo on a worldwide basis. Registration costs are amortised evenly over the expected economic life of 10 years.

## **PRO-DIRECT SPORT LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

---

#### **Amortisation**

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

<b>Asset class</b>	<b>Amortisation method and rate</b>
Goodwill	3 to 10 years
Software development costs	5 years commencing on completion of transition

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

#### **Trade debtors**

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised at the transaction price. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

#### **Stocks**

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

At each reporting date, an assessment is made for the net realisable value. Any excess of the carrying amount of stocks over its estimated selling price less cost to sell is recognised as an impairment loss in the profit and loss.

#### **Trade creditors**

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date.

Trade creditors are recognised at the transaction price.

#### **Borrowings**

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and loss account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

## **PRO-DIRECT SPORT LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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#### **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation.

Lease payments are apportioned between finance costs in the Profit and loss account and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

#### **Share capital**

Ordinary shares are classified as equity.

#### **Dividends**

Dividend distributions to the company's shareholders are recognised in the financial statements of the reporting period in which the dividends are declared.

#### **Defined contribution pension obligation**

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

#### **Financial instruments**

##### ***Classification***

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument and derecognised when, in the case of assets, the contractual rights to cashflows from the assets expire or substantially all the risks and rewards of ownership are transferred to another party, or in case of liabilities, when the company's obligations are discharged, expire or are cancelled.

##### ***Recognition and measurement***

All the company's financial instruments are classified as basic.

Basic financial instruments are initially measured at transaction price, including transaction costs, and are subsequently carried at the undiscounted amount of the cash or other consideration expected to be paid or received, after taking account of impairment adjustments.

The company does not use or hold derivative financial instruments.

**PRO-DIRECT SPORT LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019****3 Revenue**

The analysis of the company's revenue for the year from continuing operations is as follows:

	2019	2018
	£	£
Sale of goods	90,123,618	87,126,988
Rendering of services	7,968,671	8,146,577
	<u>98,092,289</u>	<u>95,273,565</u>

Segmental information has not been provided as the directors believe that the disclosure of such information would be prejudicial to the interests of the company.

**4 Other operating income**

The analysis of the company's other operating income for the year is as follows:

	2019	2018
	£	£
Rents recieved	7,700	10,388
Sundry receipts	183,477	49,498
Agency fees	4,415	35,011
Store contributions	13,109	474,136
Services to group members	14,000	182,812
	<u>222,701</u>	<u>751,845</u>

**5 Operating profit/(loss)**

Arrived at after charging/(crediting)

	2019	2018
	£	£
Depreciation expense	999,808	986,000
Amortisation expense	4,096	4,095
Foreign exchange losses	61,076	169,574
Operating lease expense - property	835,765	728,394
Operating lease expense - plant and machinery	19,023	48,663
Loss/(profit) on disposal of property, plant and equipment	<u>199</u>	<u>(1,596)</u>

**PRO-DIRECT SPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER**  
**2019**

**6 Other interest receivable and similar income**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Interest income on bank deposits	<u>3,430</u>	<u>199</u>

**7 Interest payable and similar expenses**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Interest on bank overdrafts and borrowings	143,555	108,156
Interest on obligations under finance leases and hire purchase contracts	<u>40,520</u>	<u>25,570</u>
	<u><b>184,075</b></u>	<u><b>133,726</b></u>

**8 Staff costs**

The aggregate payroll costs (including directors' remuneration) were as follows:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Wages and salaries	10,694,869	11,895,956
Social security costs	806,344	714,483
Pension costs, defined contribution scheme	<u>356,927</u>	<u>278,773</u>
	<u><b>11,858,140</b></u>	<u><b>12,889,212</b></u>

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	<b>2019</b>	<b>2018</b>
	<b>No.</b>	<b>No.</b>
Administration and support	78	66
Sales, marketing and distribution	<u>363</u>	<u>386</u>
	<u><b>441</b></u>	<u><b>452</b></u>

**PRO-DIRECT SPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER**  
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**9 Auditors' remuneration**

	2019 £	2018 £
Audit of the financial statements	<u>28,950</u>	<u>24,000</u>

**10 Taxation**

Tax charged/(credited) in the income statement

	2019 £	2018 £
<b>Current taxation</b>		
UK corporation tax	-	4,569
<b>Deferred taxation</b>		
Arising from origination and reversal of timing differences	<u>-</u>	<u>37,684</u>
Tax expense in the income statement	<u>-</u>	<u>42,253</u>

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2018 - higher than the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

	2019 £	2018 £
Loss before tax	<u>(108,543)</u>	<u>(732,796)</u>
Corporation tax at standard rate	(20,623)	(139,231)
Effect of revenues exempt from taxation	(652)	(16,625)
Effect of expense not deductible in determining taxable profit (tax loss)	5,621	3,897
Increase from tax losses for which no deferred tax asset was recognised	39,533	-
Tax (decrease)/increase from effect of capital allowances and depreciation	(23,586)	114,277
Tax (decrease)/increase from other short-term timing differences	(293)	4,569
Tax increase from changes in tax provisions due to legislation	<u>-</u>	<u>75,366</u>
Total tax charge	<u>-</u>	<u>42,253</u>

**PRO-DIRECT SPORT LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019****11 Intangible assets**

	<b>Goodwill</b>	<b>Intellectual property rights</b>	<b>Software development costs</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost or valuation</b>				
At 1 January 2019	50,795	37,031	-	87,826
Additions acquired separately	-	-	1,063,274	1,063,274
At 31 December 2019	50,795	37,031	1,063,274	1,151,100
<b>Amortisation</b>				
At 1 January 2019	50,795	15,490	-	66,285
Amortisation charge	-	4,096	-	4,096
At 31 December 2019	50,795	19,586	-	70,381
<b>Carrying amount</b>				
At 31 December 2019	-	17,445	1,063,274	1,080,719
At 31 December 2018	-	21,541	-	21,541



**PRO-DIRECT SPORT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

**12 Tangible assets**

	Land and buildings £	Fixtures and equipment £	Website and software £	Plant and machinery £	Total £
<b>Cost or valuation</b>					
At 1 January 2019	1,359,365	4,188,539	1,877,492	1,677,765	9,103,161
Additions	164,893	257,471	166,653	111,645	700,662
Disposals	-	-	-	(39,205)	(39,205)
At 31 December 2019	<u>1,524,258</u>	<u>4,446,010</u>	<u>2,044,145</u>	<u>1,750,205</u>	<u>9,764,618</u>
<b>Depreciation</b>					
At 1 January 2019	406,422	2,007,603	1,609,552	1,208,268	5,231,845
Charge for the year	58,176	613,193	131,149	197,290	999,808
Eliminated on disposal	-	-	-	(23,357)	(23,357)
At 31 December 2019	<u>464,598</u>	<u>2,620,796</u>	<u>1,740,701</u>	<u>1,382,201</u>	<u>6,208,296</u>
<b>Carrying amount</b>					
At 31 December 2019	<u>1,059,660</u>	<u>1,825,214</u>	<u>303,444</u>	<u>368,004</u>	<u>3,556,322</u>
At 31 December 2018	<u>952,943</u>	<u>2,180,936</u>	<u>267,940</u>	<u>469,497</u>	<u>3,871,316</u>

Included within the net book value of land and buildings above is £884,627 (2018 - £924,467) in respect of freehold land and buildings and £175,033 (2018 - £28,476) in respect of short leasehold land and buildings.

**PRO-DIRECT SPORT LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019****Assets held under finance leases and hire purchase contracts**

The net carrying amount of tangible assets includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

	2019 £	2018 £
Computer equipment	<u>486,966</u>	<u>855,255</u>

**Restriction on title and pledged as security**

Computer equipment with a carrying amount of £486,966 (2018 - £855,255) has been pledged as security for the HP liabilities.

**13 Stocks**

	2019 £	2018 £
Finished goods and goods for resale	<u>31,756,604</u>	<u>35,855,391</u>

**14 Debtors**

	Note	2019 £	2018 £
Trade debtors		1,090,838	796,752
Amounts owed by related parties	24	6,848,399	5,010,995
Other debtors		-	173,377
Prepayments		1,396,058	3,044,045
Income tax asset	10	<u>542,378</u>	<u>370,946</u>
		<u>9,877,673</u>	<u>9,396,115</u>

**Details of non-current trade and other debtors**

£2,017,344 (2018 -£1,719,029) of amounts owed by related parties is classified as non current.

**PRO-DIRECT SPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER**  
**2019**

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**15 Cash and cash equivalents**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Cash at bank	1,825,113	1,968,294
Bank overdrafts	<u>(4,019,103)</u>	<u>(2,462,516)</u>
Cash and cash equivalents in statement of cash flows	<u><b>(2,193,990)</b></u>	<u><b>(494,222)</b></u>

**16 Creditors**

	<b>Note</b>	<b>2019</b>	<b>2018</b>
		<b>£</b>	<b>£</b>
<b>Due within one year</b>			
Loans and borrowings	17	5,142,262	3,585,672
Trade creditors		10,685,746	12,245,381
Social security and other taxes		1,170,153	1,197,222
Other payables		1,848	-
Accruals		<u>1,313,100</u>	<u>1,809,751</u>
		<u><b>18,313,109</b></u>	<u><b>18,838,026</b></u>
<b>Due after one year</b>			
Loans and borrowings	17	<u><b>1,998,208</b></u>	<u><b>2,973,474</b></u>

**PRO-DIRECT SPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER**  
**2019**

**17 Loans and borrowings**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Current loans and borrowings</b>		
Bank borrowings	800,000	800,000
Bank overdrafts	4,019,103	2,462,516
Hire purchase contracts	323,159	282,904
Other borrowings	-	40,252
	<u>5,142,262</u>	<u>3,585,672</u>

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Non-current loans and borrowings</b>		
Bank borrowings	1,600,000	2,400,000
Hire purchase contracts	<u>398,208</u>	<u>573,474</u>
	<u>1,998,208</u>	<u>2,973,474</u>

Bank Loans and overdrafts are wholly secured by Mortgages over the freehold properties of the company and over the life policies taken on the directors who are the parent company's shareholders.  
The bank loans are repayable by instalments over a fixed period ending 2022 . Interest will be charged at 1.5% over LIBOR.

**18 Provisions for liabilities**

	<b>Deferred tax</b>	<b>Total</b>
	<b>£</b>	<b>£</b>
At 1 January 2019	<u>2,601</u>	<u>2,601</u>
At 31 December 2019	<u>2,601</u>	<u>2,601</u>

**PRO-DIRECT SPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER**  
**2019**

**19 Pension and other schemes**

**Defined contribution pension scheme**

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £356,927 (2018 - £278,773).

**20 Share capital**

**Allotted, called up and fully paid shares**

	<b>2019</b>		<b>2018</b>	
	<b>No.</b>	<b>£</b>	<b>No.</b>	<b>£</b>
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

**21 Obligations under leases and hire purchase contracts**

**Finance leases**

The total of future minimum lease payments is as follows:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Not later than one year	323,159	282,904
Later than one year and not later than five years	<u>398,208</u>	<u>573,474</u>
	<u>721,367</u>	<u>856,378</u>

**Operating leases**

The total of future minimum lease payments is as follows:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Not later than one year	82,945	228,000
Later than one year and not later than five years	<u>-</u>	<u>55,000</u>
	<u>82,945</u>	<u>283,000</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £854,788 (2018 - £777,057).

**PRO-DIRECT SPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER**  
**2019**

**22 Dividends**

	2019	2018
	£	£
Interim dividend of £1,407,500 (2018 - £1,250,000) per ordinary share	<u>1,407,500</u>	<u>1,250,000</u>

**23 Analysis of changes in net debt**

	At 1 January 2019 £	Financing cash flows £	At 31 December 2019 £
<b>Cash and cash equivalents</b>			
Cash	1,968,294	(143,181)	1,825,113
Overdrafts	<u>(2,462,516)</u>	<u>(1,556,587)</u>	<u>(4,019,103)</u>
	<u>(494,222)</u>	<u>(1,699,768)</u>	<u>(2,193,990)</u>
<b>Borrowings</b>			
Long term borrowings	2,400,000	(800,000)	1,600,000
Short term borrowings	840,252	(40,252)	800,000
Lease liabilities	<u>856,378</u>	<u>(135,011)</u>	<u>721,367</u>
	<u>4,096,630</u>	<u>(975,263)</u>	<u>3,121,367</u>
	<u>3,602,408</u>	<u>(2,675,031)</u>	<u>927,377</u>

**PRO-DIRECT SPORT LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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**24 Related party transactions****Transactions with directors**

	At 1 January 2019 £	Advances to directors £	At 31 December 2019 £
2019 Director's loan owed (to)/from the company -	<u>40,252</u>	<u>(260,128)</u>	<u>(219,876)</u>

**Summary of transactions with all associates****Associated Companies**

During the year the company had loan accounts with various associated companies, the amounts owed to the company as at the yearend date was £6,848,399 (2018 - £5,010,995). There was no interest charged on these amounts and no set date for repayment.