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**REPORTS AND FINANCIAL STATEMENTS
CHAMPION PRODUCTS EUROPE LIMITED
FOR THE YEAR ENDED 30 JUNE 2003**

Deloitte & Touche,
Chartered Accountants,
Deloitte & Touche House,
Earlsfort Terrace,
Dublin 2.



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DIRECTORS AND OTHER INFORMATION

CURRENT DIRECTORS

Sauro Mambrini
Gigetto Furlotti
Bernd Millien
Enrico Verneti

SECRETARY

Matsack Trust

REGISTERED OFFICE

Unit 4B, Block 2
Blanchardstown Corporate Park
Blanchardstown
Dublin 15.

AUDITORS

Deloitte & Touche
Chartered Accountants
Deloitte & Touche House
Earlsfort Terrace
Dublin 2.

BANKERS

Bank of Ireland
24 College Green
Dublin 2.

SOLICITORS

Matheson Ormsby Prentice
30 Herbert Street
Dublin 2.

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 30 June 2003.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the company are the sourcing and development of footwear and NBA products, the sale of footwear to affiliate group companies, the sale of sporting goods in Ireland and UK to retailers, the management and protection of the Champion trademark and the charging of royalties for the use of the Champion trademark to affiliate group companies and third party distributors.

The profit and loss account, together with the interim dividends paid during the year ended 30 June 2003, is set out on page 9.

DIRECTORS

The current directors are set out on page 2. There were no changes in the year.

DIRECTORS' AND SECRETARY'S INTERESTS

The directors and secretary of the company who held office at 30 June 2003:

- had no interests in the shares and debentures of the company
- had the following beneficial interests in the share capital of Champion Europe SPA, the ultimate parent:

	30 June 2003	30 June 2002
	%	%
Sauro Mambrini	60.5	59.5
Gigetto Furlotti	3.0	3.0

The directors had no other beneficial interests in the share capital of any other parent or related companies at 30 June 2003, or at any time in the year ended on that date.

SAFETY, HEALTH AND WELFARE AT WORK ACT, 1989

The company is aware of the requirements relating to the preparation of a safety statement in accordance with the Act.

BOOKS OF ACCOUNT

To ensure that proper books and accounting records are kept in accordance with Section 202 of the Companies Act, 1990, the directors have employed appropriately qualified accounting personnel and have maintained appropriate computerised accounting systems. The books of account are located at the company's office at Unit 4B, Block 2, Blanchardstown Corporate Park, Blanchardstown, Dublin 15.

DIRECTORS' REPORT (CONTINUED)

POST BALANCE SHEET EVENTS

There have been no significant events since the balance sheet date.

AUDITORS

Deloitte & Touche, Chartered Accountants, will continue in office as auditors in accordance with Section 160(2) of the Companies Act 1963.

Signed on behalf of the Board :

Bernd Millien)	
)	DIRECTORS
Enrico Verneti)	

16 October 2003

STATEMENT OF THE DIRECTORS' RESPONSIBILITIES

Irish company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those 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;
- 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 books of account which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with Irish statute comprising the Companies Acts, 1963 to 2001 and the European Communities (Companies: Group Accounts) Regulations, 1992. 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 CHAMPION PRODUCTS EUROPE LIMITED

We have audited the financial statements of Champion Products Europe Limited for the year ended 30 June 2003 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and losses, the Balance Sheet, the Statement of Accounting Policies and the related notes 1 to 21. 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 193 of the Companies Act 1990. 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 preparing the Annual Report, including as set out in the Statement of Directors' Responsibilities, the preparation of the financial statements in accordance with applicable Irish law and accounting standards. Our responsibilities, as independent auditors, are established in Ireland by statute, auditing standards as promulgated by the Auditing Practices Board in Ireland and by our profession's ethical guidance.

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 Irish statute comprising the Companies Acts, 1963 to 2001 and the European Communities (Companies: Group Accounts) Regulations, 1992. We also report to you whether in our opinion: proper books of account have been kept by the company; whether, at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the company; and whether the information given in the directors' report is consistent with the financial statements. In addition, we state whether we have obtained all information and explanations necessary for the purposes of our audit and whether the company's balance sheet and profit and loss account are in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and directors' transactions is not given and, where practicable, include such information in our report.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement within it. Our responsibilities do not extend to other information.

Basis of audit opinion

We conducted our audit in accordance with the auditing standards issued by the Auditing Practices Board and generally accepted in Ireland. 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 evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the company as at 30 June 2003 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2001 and the European Communities (Companies: Group Accounts) Regulations, 1992.

We have obtained all the information and explanations we considered necessary for the purpose of our audit. In our opinion proper books of account have been kept by the company. The company's balance sheet and its profit and loss account are in agreement with the books of account.

In our opinion the information given in the directors' report is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet are more than half the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 30 June 2003 a financial situation which, under Section 40(1) of the Companies (Amendment) Act, 1983, may require the convening of an extraordinary general meeting of the company.

Deloitte & Touche
Chartered Accountants and Registered Auditors
Dublin

16 October 2003

STATEMENT OF ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts, 1963 to 2001 and the European Communities (Companies: Group Accounts) Regulations, 1992.

ACCOUNTING CONVENTION

The financial statements are stated and prepared in Euro under the historical cost basis of accounting.

TURNOVER

Turnover comprises of royalties invoiced to affiliate group companies and the invoiced value, net of value added tax, of goods sold by the company.

FIXED ASSETS AND DEPRECIATION

Fixed assets are stated in the balance sheet at cost less accumulated depreciation.

Depreciation is calculated on a straight line basis to write off the assets over their estimated useful lives as follows:-

	Useful lives
Computer equipment	5 years
Fixtures and fittings	5 years
Motor vehicles	3 years

FINANCIAL FIXED ASSETS

Investments in subsidiary undertakings are carried at cost less provisions for impairments in value.

INTANGIBLE ASSETS AND AMORTISATION**Trade marks**

Trade marks are stated at cost of registration and related costs and are amortised to the profit and loss account over their estimated useful life of 20 years.

Goodwill

Goodwill is amortised in the profit and loss account over 5 years.

STOCKS

Stocks are valued at the lower of cost and net realisable value. Cost is calculated on the FIFO basis.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at a contracted rate.

The effect of these adjustments is reflected in the profit and loss account.

The resulting monetary assets and liabilities denominated in foreign currencies are translated to Euro at the exchange rates ruling at the balance sheet date.

PENSIONS

The company operates a defined contribution pension scheme. The cost of providing pensions to employees is charged to the profit and loss account as incurred over the period of employment of pensionable employees.

LEASED ASSETS

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

TAXATION

Corporation tax is provided on taxable profits at current rates.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised only to the extent that they are regarded as recoverable.

CONSOLIDATED FINANCIAL STATEMENTS

The company is the parent entity of a medium sized group and the company is therefore exempt from the requirement to prepare consolidated financial statements by virtue of Regulation 7 of the European Communities (Companies : Group Accounts) Regulations, 1992. Consequently these financial statements deal with the results of the company as a single entity.

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2003**

	Notes	12 Months ended 30 June 2003 €	14 Months ended 30 June 2002 €
TURNOVER	1	24,357,963	23,374,932
Cost of sales		(9,815,121)	(8,677,475)
GROSS PROFIT		<u>14,542,842</u>	<u>14,697,457</u>
Administrative expenses		(4,836,245)	(4,950,118)
OPERATING PROFIT		<u>9,706,597</u>	<u>9,747,339</u>
Other income	3	25,246	15,854
Interest payable and similar charges	4	(140,454)	(379,400)
PROFIT BEFORE TAXATION	5	<u>9,591,389</u>	<u>9,383,793</u>
Taxation	6	(1,444,346)	(1,814,413)
PROFIT AFTER TAXATION		<u>8,147,043</u>	<u>7,569,380</u>
Dividends	7	(6,500,000)	(6,000,000)
PROFIT AFTER DIVIDEND		<u>1,647,043</u>	<u>1,569,380</u>
Profit and loss account at beginning of year		1,563,386	-
Profit and loss account at end of year		<u><u>3,210,429</u></u>	<u><u>1,569,380</u></u>

The results derive from continuing activities.

The financial statements were approved by the Board of Directors on 16 October 2003 and signed on its behalf by:

Bernd Millien)
) **DIRECTORS**
Enrico Vernetti)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	12 Months ended 30 June 2003 €	14 Months ended 30 June 2002 €
Profit for the period attributable to ordinary shareholders	8,147,043	7,569,380
Foreign exchange translation of UK Branch	67,971	(5,994)
Total recognised gains and losses in the period	<u>8,215,014</u>	<u>7,563,386</u>

BALANCE SHEET AS AT 30 JUNE 2003

	Notes	2003 €	2002 €
FIXED ASSETS			
Tangible assets	8	120,597	164,481
Financial assets	9	23,616	18,806
Intangible assets	10	10,025,388	10,494,564
		<u>10,169,601</u>	<u>10,677,851</u>
CURRENT ASSETS			
Stocks	11	494,550	357,422
Debtors	12	3,536,198	3,838,807
Bank and cash		336,469	1,145,898
		<u>4,367,217</u>	<u>5,342,127</u>
CREDITORS : (Amounts falling due within one year)	13	(5,357,743)	(4,916,751)
NET CURRENT (LIABILITIES)/ASSETS		<u>(990,526)</u>	<u>425,376</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		9,179,075	11,103,227
CREDITORS : (Amounts falling due after more than one year)	14	(4,900,675)	(8,539,841)
NET ASSETS		<u>4,278,400</u>	<u>2,563,386</u>
CAPITAL AND RESERVES			
Called-up share capital	15	1,000,000	1,000,000
Profit and loss account	16	3,278,400	1,563,386
SHAREHOLDERS' FUNDS - ALL EQUITY	16	<u>4,278,400</u>	<u>2,563,386</u>

The financial statements were approved by the Board of Directors on 16 October 2003 and signed on its behalf by:

Bernd Millien)
) DIRECTORS
 Enrico Verneti)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

1. TURNOVER	12 Months ended 30 June 2003 €	14 Months ended 30 June 2002 €
Italy	10,432,973	10,726,098
UK and Ireland	6,814,240	5,766,781
Other Europe	7,110,750	6,882,053
	<u>24,357,963</u>	<u>23,374,932</u>

2. STAFF COSTS	12 Months ended 30 June 2003 €	14 Months ended 30 June 2002 €
Wages and salaries	825,983	519,003
Social welfare costs	84,032	46,133
Other pension costs	94,662	15,824
	<u>1,004,677</u>	<u>580,960</u>

The average number of persons employed by the company was 12 (2002 :9) and is analysed into the following categories:

	Number	Number
Management	7	6
Administration	4	2
Sales	1	1
	<u>12</u>	<u>9</u>

3. OTHER INCOME	12 Months ended 30 June 2003 €	14 Months ended 30 June 2002 €
Interest receivable	25,246	15,854
	<u>25,246</u>	<u>15,854</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003 (CONTINUED)**

4. INTEREST PAYABLE AND SIMILAR CHARGES

	12 Months ended 30 June 2003 €	14 Months ended 30 June 2002 €
Interest payable in respect of parent company loan	127,859	377,019
Other charges	12,595	2,381
	<u>140,454</u>	<u>379,400</u>

5. PROFIT BEFORE TAXATION

	12 Months ended 30 June 2003 €	14 Months ended 30 June 2002 €
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The profit before taxation is stated after charging/(crediting):

Auditors' remuneration	11,900	11,900
Amortisation of trademarks	567,793	651,111
Amortisation of negative goodwill	(50,177)	(60,688)
Depreciation of tangible assets	58,532	64,431
Translation gain on loan from parent company	(618,333)	(1,055,241)
Director's Remuneration	159,972	-
Rentals payable under operation leases:		
Hire of motor vehicles	30,124	12,132
Rental of premises	53,449	40,045
	<u> </u>	<u> </u>

6. TAXATION

	12 Months ended 30 June 2003 €	14 Months ended 30 June 2002 €
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Corporation tax at 14.25%	1,444,346	1,814,413
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003 (CONTINUED)

6.	TAXATION (CONTINUED)	12 Months ended 30 June 2003 €	14 Months ended 30 June 2002 €
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Factors affecting tax charge for the year:

Profit before tax	9,591,389	9,383,793
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Tax on profit at standard tax rate of 14.25% (18%)	1,366,773	1,689,083
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Effects of:

Tax rate differences	22,054	1,110
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Items disallowed for taxation purposes	55,519	124,220
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Current year tax charge	1,444,346	1,814,413
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7.	DIVIDENDS	12 Months ended 30 June 2003 €	14 Months ended 30 June 2002 €
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Interim dividend paid of €6.50 (2002: €6.00) per ordinary share	6,500,000	6,000,000
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003 (CONTINUED)

8. TANGIBLE ASSETS

	Computer Equipment €	Fixtures & Fittings €	Motor Vehicles €	Total €
Cost				
At 1 July 2002	37,697	146,406	44,809	228,912
Additions	7,880	9,438	-	17,318
Disposals	-	-	(17,798)	(17,798)
At 30 June 2003	45,577	155,844	27,011	228,432
Depreciation				
At 1 July 2002	4,485	41,746	18,200	64,431
Charge for year	8,583	38,766	11,183	58,532
Disposals	-	-	(15,128)	(15,128)
At 30 June 2003	13,068	80,512	14,255	107,835
Net book value				
At 30 June 2003	32,509	75,332	12,756	120,597
At 30 June 2002	33,212	104,660	26,609	164,481

9. FINANCIAL ASSETS

	2003 €	2002 €
Unlisted – at cost		
Shares in subsidiary undertakings:		
Champion International Trademarks Sàrl	18,806	18,806
Share in Affiliated Company:		
Champion Benelux NV	4,810	-
	23,616	18,806

The company owns 100% of the issued ordinary share capital of Champion International Trademarks Sàrl, a company incorporated in Switzerland. The registered office is located at 14 Avenue Man Repos, Lausanne, Switzerland. The company administers the Champion trademarks covering Europe, Africa and Asia. At June 30 2003 the net assets for the subsidiary were €11,428 (2002: €12,508) and the net loss for the year was €1,913 (2002: Loss €8,050).

The company purchased one share in Champion Belgium NV at the market value of €4,810.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003 (CONTINUED)

10. INTANGIBLE ASSETS	Trademarks €	Negative Goodwill €	Total €
Cost			
At 1 July 2002	11,345,077	(260,090)	11,084,987
Additions	30,028	18,412	48,440
At 30 June 2003	<u>11,375,105</u>	<u>(241,678)</u>	<u>11,133,427</u>
Amortisation			
At 1 July 2002	(651,111)	60,688	(590,423)
Charge for the year	(567,793)	50,177	(517,616)
At 30 June 2003	<u>(1,218,904)</u>	<u>110,865</u>	<u>(1,108,039)</u>
Net book value			
At 30 June 2003	10,156,201	(130,813)	10,025,388
At 30 June 2002	<u>10,693,966</u>	<u>(199,402)</u>	<u>10,494,564</u>

11. STOCKS	2003 €	2002 €
Finished goods for resale	494,550	357,422
	<u>494,550</u>	<u>357,422</u>

12. DEBTORS: (Amounts due within one year)	2003 €	2002 €
Trade debtors	1,082,729	619,374
VAT	-	127,961
Prepaid expenses	417,537	212,070
Amounts due from group companies	2,035,932	2,879,402
	<u>3,536,198</u>	<u>3,838,807</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003 (CONTINUED)

13. CREDITORS : (Amounts falling due within one year)	2003	2002
	€	€
Trade creditors	753,998	724,725
PAYE/PRSI	27,068	17,709
VAT	18,993	-
Amounts due to group companies	1,318,323	1,211,641
Accrued expenses	2,305,794	1,495,127
Corporation tax	933,567	1,467,549
	<u>5,357,743</u>	<u>4,916,751</u>

14. CREDITORS : (Amounts falling due after more than one year)	2003	2002
	€	€
Loan from parent company	4,900,675	8,539,841
	<u>4,900,675</u>	<u>8,539,841</u>

Interest on loan from the parent company was charged at a rate of Libor plus .02%. The total loan outstanding at the 30 June 2003 is US\$5,600,000 (2002: US\$8,518,492). All interest payable at 30 June 2003 had been paid at that date.

15. CALLED-UP SHARE CAPITAL	2003	2002
	€	€
Authorised:		
15,000,000 ordinary shares of €1 (2002: €1) each	15,000,000	15,000,000
	<u>15,000,000</u>	<u>15,000,000</u>
Allotted, Called-Up and Fully Paid:		
1,000,000 ordinary shares of €1 (2002: €1) each	1,000,000	1,000,000
	<u>1,000,000</u>	<u>1,000,000</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003 (CONTINUED)**16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	Share Capital €	Profit and Loss Account €	Total €
Opening shareholders' funds	1,000,000	-	1,000,000
Profit retained for the year	-	3,210,429	3,210,429
Foreign exchange adjustment to branch	-	67,971	67,971
Closing shareholders' funds	<u>1,000,000</u>	<u>3,278,400</u>	<u>4,278,400</u>

17. PENSIONS

The company operates a defined contribution scheme for all of its employees. Total pension costs amounted to € 85,788 (2002: €15,824). The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions paid by the company to the fund.

18. CASH FLOW STATEMENT

In accordance with FRS 1 a cash flow statement is not prepared as the cashflows of the company are disclosed in the consolidated financial statement of the parent company.

19. COMMITMENTS**Operating Lease commitments:**

Annual commitments exist under non-cancellable operating leases as follows:

	Land and Buildings €	Motor Vehicle €	Total €
Within 1 year	44,543	13,680	58,223
Within 2 – 5 years	-	6,840	6,840
	<u> </u>	<u> </u>	<u> </u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003 (CONTINUED)**

20. RELATED PARTY TRANSACTIONS

The company has availed of the exemption under FRS 8 from disclosure of inter-group related party transactions.

21. GROUP MEMBERSHIP

Champion Products Europe Limited is a wholly owned (100%) subsidiary of Chamnption Europe SPA, a company registered in Italy. The ultimate parent company and ultimate controlling party is Champion Europe SPA. The parent company of the largest and smallest group for which group financial statements are prepared and of which the company is a member is Champion Europe SPA.

Copies of the consolidated financial statements may be obtained from Champion Europe SPA via Ferrari 2, 41011, Campogalliano (Modena) Italy.