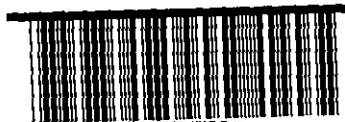


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REPORTS AND FINANCIAL STATEMENTS
CHAMPION PRODUCTS EUROPE LIMITED
FOR THE YEAR ENDED 30 JUNE 2004



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CHAMPION PRODUCTS EUROPE LIMITED

REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

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CHAMPION PRODUCTS EUROPE LIMITED

DIRECTORS AND OTHER INFORMATION

CURRENT DIRECTORS

Sauro Mambrini
Gigetto Furlotti
Bernd Millien (Managing Director)
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
Main Street
Blanchardstown
Dublin 15.

SOLICITORS

Matheson Ormsby Prentice
30 Herbert Street
Dublin 2.

CHAMPION PRODUCTS EUROPE LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 30 June 2004.

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 dividends paid during the year ended 30 June 2004, is set out on page 10.

DIRECTORS

The current directors are set out on page 2. Bernd Millien resigned as managing director on 17 December 2003 and was reappointed on 14 January 2004.

DIRECTORS' AND SECRETARY'S INTERESTS

The directors and secretary of the company who held office at 30 June 2004:

- 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 2004	30 June 2003
	%	%
Sauro Mambrini	65.7	60.5
Gigetto Furlotti	3.7	3.0
Enrico Verneti	0.2	-

The directors had no other beneficial interests in the share capital of any other parent or related companies at 30 June 2004, 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.

CHAMPION PRODUCTS EUROPE LIMITED

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 2003 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 2004 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 in the Statement of Accounting Policies.

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 2003 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 the 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.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHAMPION PRODUCTS EUROPE LIMITED

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 affairs of the company as at 30 June 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2003 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 2004 a financial situation which, under Section 40(1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the company.

Deloitte & Touche
Chartered Accountants and Registered Auditors
Dublin

15 October 2004

CHAMPION PRODUCTS EUROPE LIMITED

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 2003 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	3 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.

CHAMPION PRODUCTS EUROPE LIMITED

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.

CHAMPION PRODUCTS EUROPE LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 30 JUNE 2004

	2004 €	2003 €
Profit for the year attributable to ordinary shareholders	6,265,508	8,147,043
Foreign exchange translation of UK Branch	38,359	67,971
Total recognised gains and losses in the year	<u>6,303,867</u>	<u>8,215,014</u>

CHAMPION PRODUCTS EUROPE LIMITED

BALANCE SHEET AS AT 30 JUNE 2004

	Notes	2004 €	2003 €
FIXED ASSETS			
Tangible assets	8	114,845	120,597
Financial assets	9	32,354	23,616
Intangible assets	10	9,555,727	10,025,388
		9,702,926	10,169,601
CURRENT ASSETS			
Stocks	11	440,186	494,550
Debtors	12	3,746,589	3,536,198
Bank and cash		82,977	336,469
		4,269,752	4,367,217
CREDITORS : (Amounts falling due within one year)	13	(6,319,189)	(5,357,743)
NET CURRENT LIABILITIES		(2,049,437)	(990,526)
TOTAL ASSETS LESS CURRENT LIABILITIES		7,653,489	9,179,075
CREDITORS : (Amounts falling due after more than one year)	14	(2,139,193)	(4,900,675)
NET ASSETS		5,514,296	4,278,400
CAPITAL AND RESERVES			
Called-up share capital	15	1,000,000	1,000,000
Profit and loss account	16	4,514,296	3,278,400
SHAREHOLDERS' FUNDS - EQUITY	16	5,514,296	4,278,400

The financial statements were approved by the Board of Directors on 15 October 2004 and signed on its behalf by:

B. Millien)	
)	DIRECTORS
E. Verneti)	

CHAMPION PRODUCTS EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

1. TURNOVER	2004	2003
	€	€
Italy	10,438,988	10,432,973
UK and Ireland	9,009,526	6,814,240
Other Europe	5,478,878	7,110,750
	<u>24,927,392</u>	<u>24,357,963</u>
	<u><u>24,927,392</u></u>	<u><u>24,357,963</u></u>
2. STAFF COSTS	2004	2003
	€	€
Wages and salaries	1,074,220	825,983
Social welfare costs	101,807	84,032
Other pension costs	56,510	94,662
	<u>1,232,537</u>	<u>1,004,677</u>
	<u><u>1,232,537</u></u>	<u><u>1,004,677</u></u>
<p>The average number of persons employed by the company was 16 (2003 :12) and is analysed into the following categories:</p>		
	Number	Number
Management	7	7
Administration	8	4
Sales	1	1
	<u>16</u>	<u>12</u>
	<u><u>16</u></u>	<u><u>12</u></u>
3. OTHER INCOME	2004	2003
	€	€
Interest receivable	53,286	25,246
	<u>53,286</u>	<u>25,246</u>
	<u><u>53,286</u></u>	<u><u>25,246</u></u>
4. INTEREST PAYABLE AND SIMILAR CHARGES	2004	2003
	€	€
Interest payable in respect of parent company loan	56,120	127,859
Other charges	3,513	12,595
	<u>59,633</u>	<u>140,454</u>
	<u><u>59,633</u></u>	<u><u>140,454</u></u>

CHAMPION PRODUCTS EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004 (CONTINUED)**

5. PROFIT BEFORE TAXATION	2004	2003
	€	€
The profit before taxation is stated after charging/(crediting):		
Auditors' remuneration	11,900	11,900
Amortisation of trademarks	569,454	567,793
Amortisation of negative goodwill	(43,901)	(50,177)
Depreciation of tangible assets	63,247	58,532
Translation gain on loan from parent company	(102,614)	(618,333)
Directors' remuneration – for management	177,500	159,972
Rentals payable under operating leases:		
Hire of motor vehicles	29,197	30,124
Rental of premises	53,453	53,449
	<u> </u>	<u> </u>
 6. TAXATION	 2004	 2003
	€	€
Corporation tax on the profit for the year	1,208,210	1,444,346
Overprovision in prior year	(88,183)	-
	<u> </u>	<u> </u>
	1,120,027	1,444,346
	<u> </u>	<u> </u>
Factors affecting tax charge for the year:		
Profit on ordinary activities before taxation	7,373,110	9,591,389
	<u> </u>	<u> </u>
Profit on ordinary activities at standard rate of corporation tax of 12.5% (14.25%)	921,639	1,366,773
Taxation effects of:		
Items disallowed for tax purposes	59,886	55,519
Tax rate differences	(66,841)	22,054
Tax incurred on overseas earnings	293,526	-
	<u> </u>	<u> </u>
Current year tax charge	1,208,210	1,444,346
	<u> </u>	<u> </u>

There are no material deferred tax assets or liabilities as at 30 June 2004.

CHAMPION PRODUCTS EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004 (CONTINUED)**

7.	DIVIDENDS	2004 €	2003 €		
	Interim dividend paid of € 5.00 (2003: €6.50) per ordinary share	5,000,000	6,500,000		
		<u> </u>	<u> </u>		
8.	TANGIBLE ASSETS				
		Computer Equipment €	Fixtures & Fittings €	Motor Vehicles €	Total €
	Cost				
	At 1 July 2003	45,577	155,844	27,011	228,432
	Additions	33,528	23,966	-	57,494
	At 30 June 2004	<u>79,105</u>	<u>179,810</u>	<u>27,011</u>	<u>285,926</u>
	Depreciation				
	At 1 July 2003	13,068	80,512	14,254	107,834
	Charge for year	25,656	28,586	9,005	63,247
	At 30 June 2004	<u>38,724</u>	<u>109,098</u>	<u>23,259</u>	<u>171,081</u>
	Net book value				
	At 30 June 2004	40,381	70,712	3,752	114,845
	At 30 June 2003	<u>32,509</u>	<u>75,332</u>	<u>12,756</u>	<u>120,597</u>
9.	FINANCIAL ASSETS	2004 €	2003 €		
	Unlisted – at cost				
	Shares in subsidiary undertakings:				
	Champion International Trademarks Sàrl	27,544	18,806		
	Share in Affiliated Company:				
	Champion Benelux NV	4,810	4,810		
		<u>32,354</u>	<u>23,616</u>		

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 holds Champion International trademark registrations. At 30 June 2004, the net assets for the subsidiary were €17,856 (2003: €11,428) and the net loss for the year was €11,922.12 (2003: Loss €1,913). The company increased its investment by €8,738 during the year.

CHAMPION PRODUCTS EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004 (CONTINUED)

10. INTANGIBLE ASSETS	Trademarks €	Negative Goodwill €	Total €
Cost			
At 1 July 2003	11,375,105	(241,678)	11,133,427
Additions	28,080	27,812	55,892
At 30 June 2004	<u>11,403,185</u>	<u>(213,866)</u>	<u>11,189,319</u>
Amortisation			
At 1 July 2003	(1,218,904)	110,865	(1,108,039)
Charge for the year	(569,454)	43,901	(525,553)
At 30 June 2004	<u>(1,788,358)</u>	<u>154,766</u>	<u>(1,633,592)</u>
Net book value			
At 30 June 2004	<u>9,614,827</u>	<u>(59,100)</u>	<u>9,555,727</u>
At 30 June 2003	<u>10,156,201</u>	<u>(130,813)</u>	<u>10,025,388</u>

11. STOCKS	2004 €	2003 €
Finished goods for resale	440,186	494,550

The replacement cost of stock does not differ materially from the amounts stated above.

12. DEBTORS: (Amounts due within one year)	2004 €	2003 €
Trade debtors	914,650	1,082,729
VAT	2,931	-
Prepaid expenses	345,319	417,537
Amounts due from group companies	2,483,689	2,035,932
	<u>3,746,589</u>	<u>3,536,198</u>

CHAMPION PRODUCTS EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004 (CONTINUED)**

13. CREDITORS : (Amounts falling due within one year)	2004	2003
	€	€
Trade creditors	1,360,929	753,998
PAYE/PRSI	-	27,068
VAT	-	18,993
Amounts due to group companies	2,213,798	1,318,323
Accrued expenses	2,429,778	2,305,794
Corporation tax	314,684	933,567
	<u>6,319,189</u>	<u>5,357,743</u>

14. CREDITORS : (Amounts falling due after more than one year)	2004	2003
	€	€
Loan from parent company	2,139,193	4,900,675
	<u>2,139,193</u>	<u>4,900,675</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 2004 is US\$ 2,600,000 (2003: US\$5,600,000). All interest payable at 30 June 2004 had been paid at that date with the exception of US\$ 188,770.

15. CALLED-UP SHARE CAPITAL	2004	2003
	€	€
Authorised:		
15,000,000 ordinary shares of €1 (2003: €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 (2003: €1) each	1,000,000	1,000,000
	<u>1,000,000</u>	<u>1,000,000</u>

CHAMPION PRODUCTS EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004 (CONTINUED)

16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Share Capital €	Profit and Loss Account €	Total €
Opening shareholders' funds	1,000,000	3,210,429	4,210,429
Profit retained for the year	-	1,265,508	1,265,508
Foreign exchange adjustment to branch	-	38,359	38,359
Closing shareholders' funds	<u>1,000,000</u>	<u>4,514,296</u>	<u>5,514,296</u>

17. PENSIONS

The company operates a defined contribution scheme for all of its employees. Total pension costs amounted to €56,510 (2003: €85,788). 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 statements 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	53,384	12,301	65,685
Within 2 – 5 years	213,536	24,921	238,457
	<u> </u>	<u> </u>	<u> </u>

CHAMPION PRODUCTS EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004 (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 Champion 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.