



**November 2019 Management Case Study examination**

**Pre-seen material**



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You are a Finance Manager working for GSC Plc (GSC), a global business which designs, markets and sells high-performance branded sportswear, including clothing, footwear and sports accessories. GSC is based in the North American country of Geoland.

Geoland has a population of over 200 million and has a highly developed economy. The people of Geoland have a keen interest in a wide range of health and fitness activities and sports and the country is home to some of the most famous sports teams and sports stars in the world. Two of the world's largest sportswear businesses are also based in Geoland.

You work in the finance function at GSC's headquarters in Geoland, and you report directly to the Financial Controller, who in turn reports to the Chief Finance Officer. Your primary responsibilities are associated with management accounting and ensuring the effective implementation of strategic plans set by GSC's board. The CFO is responsible for financial reporting and strategic management but delegates some responsibility for this to the finance function.

Geoland's currency is the G\$. Company law in Geoland requires that financial statements be prepared in accordance with IFRS.

## Background to the sportswear industry



Sportswear is mainly worn during workout sessions, or while playing sports, and is designed to provide comfort and agility during physical movements or activity.

Sportswear goods are normally categorised into three core areas: 1. sports clothing, which includes a wide range of items such as sports jackets, tracksuits, tops, shorts and leggings; 2. footwear, such as specialist sports boots and shoes, trainers and running shoes;

and 3. accessories, such as socks, gloves, helmets and sports bags.

The demand for sportswear is growing globally. The Cumulative Average Growth Rate (CAGR) in demand for sportswear has been over 4% per year for the last five years.

Much of the growth in demand for sportswear in the last five years can be attributed to increased levels of health awareness amongst the general public and increasing ranges and availability of fitness activities. These include aerobics, netball and yoga, in addition to mainstream sports such as soccer, basketball, tennis, cycling and athletics. Increasing levels of disposable income has also enabled customers to spend more on leisure time and activities, subsequently increasing the demand for sportswear products.

The sportswear industry has also been influenced by the increasing participation of women in sports and fitness activities. This has created an opportunity for sportswear businesses to exploit the general trend towards more casual sports-based clothing for general day wear, particularly amongst women.

The sportswear industry is regarded as being part of the overall fashion industry, therefore general trends in fashion often filter through into sportswear design and can be a significant influence on the sportswear market. Some sportswear manufacturers employ famous designers to create their clothing and also use celebrities to enhance their image and promote their brand.

## Background of GSC

GSC was founded in 2000 by a group of four friends who attended an 'entrepreneurial spirit' workshop. Whilst there they discussed what they felt was a problem in the sports clothing market - that popular sportswear brands had become too fashion-oriented and that functionality was not seen to be as important as appearance, thus presenting a problem for many athletes. They saw the lack of availability of high quality and high-performance sportswear as a niche in the market that they believed they could fill.



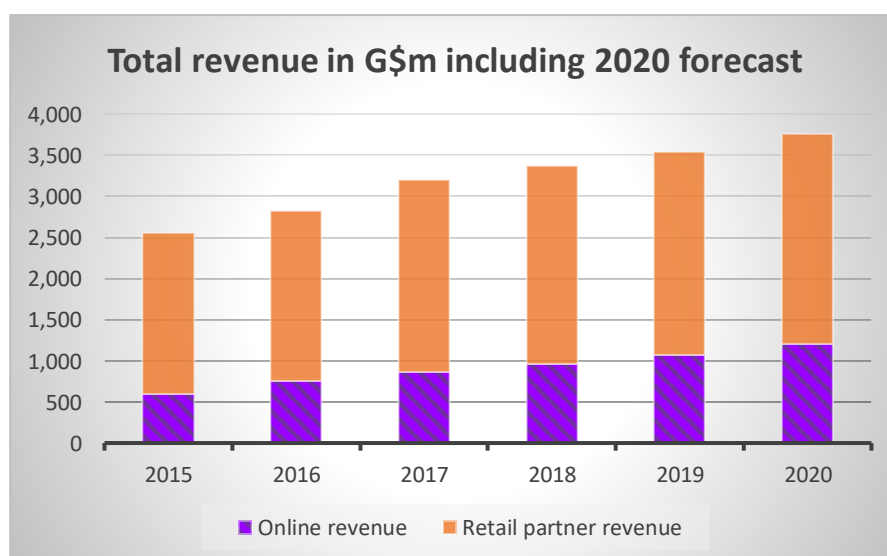
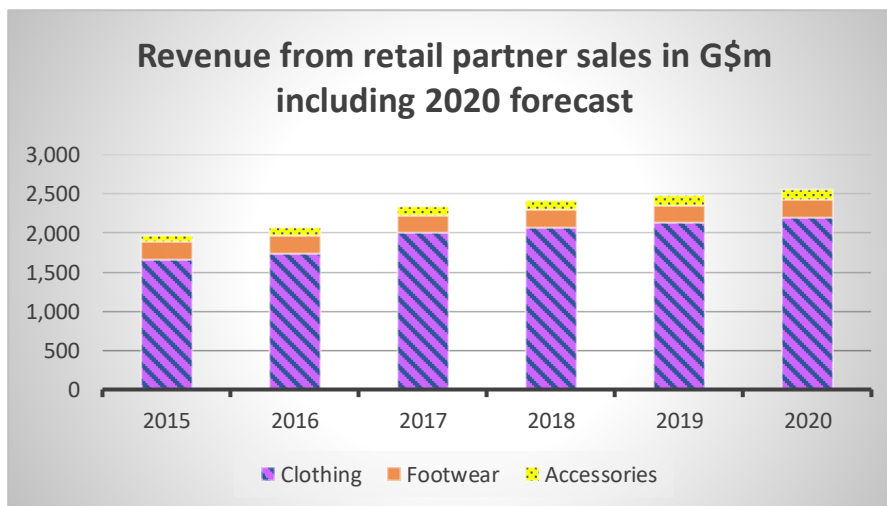
The founders wanted to provide athletes of all abilities with sports clothing that were based on the principles of high-quality fabric, comfortable fit and high durability together with optimal functionality in the sport in which it was being used. Market research was performed to confirm their view, and it was found that there was high demand for functional, durable sports clothing. Shortly after this, the four founders launched the Global Sports Clothing company (thereafter known as 'GSC') with the aim to sell high quality, performance sports clothing across the world. The first range, launched in 2000, was clothing targeted at runners, which proved to be immediately very popular.

GSC was very successful in its first four years, being widely perceived in the market as forward thinking in terms of its designs and the fabrics used, which were driven by optimising athletic performance, rather than by fashion trends. GSC built on its early success, quickly achieving global sales of its clothing for runners and soon launching several other lines of sports clothing. By the end of 2004, GSC was selling sports clothing and accessories for over 15 different sporting activities, within several retail partners' outlets located in over 40 countries throughout North America, Latin America and Europe.

High levels of growth and profit continued for several years, and GSC invested a considerable amount into continuing the expansion of its product range and geographical reach. GSC took on debt, when necessary to support its continued growth. Since its launch, the growth achieved by GSC arose through organic expansion. However, in 2013, GSC bought 100% of the share capital of sports shoe company 'Sport Stepper', to enter the sports footwear market. Before acquiring Sport Stepper, GSC did not sell any footwear. Following acquisition, all footwear was branded 'GSC' and the Sport Stepper brand was retired.

GSC listed on the Geoland stock market in 2012, successfully raising funds to continue to support its growth. GSC's products are currently sold in over 150 countries around the world, within four key markets: North America, Latin America, Europe and Asia Pacific. GSC currently sells its products through its own websites and through its retail partners' outlets. Unlike many of its nearest competitors, GSC does not operate its own retail outlets.

## GSC Historic revenue performance graphs



## GSC Products

GSC's products consist of sports clothing, footwear and accessories for men, women and youths. GSC provides consumers with sportswear designed to enhance performance, marketing its products as being superior to the more traditional or 'fashion-based' sportswear products offered by some of its competitors. Most of GSC's products are made from specially designed moisture-wicking fabrics (where the fabric pulls moisture, like sweat, away from the skin) and heat-dispersing fabrics (which keep the wearer dry and comfortable during physical activity), with the aim of optimising athletic performance.

Although GSC has several well-established brands as competitors, it is still able to charge a premium price for its products, on the basis of its superior innovative fabrics and design. GSC targets consumers who focus more on fabric technology and product quality to enhance performance, rather than the price. GSC owns the trademark used in connection with the marketing, distribution and sale of its products, both domestically and internationally, where its products are sold or manufactured. The GSC logo and GSC trademark are both registered in countries within North America, Latin America, the European Union and in Asia Pacific.

### ***Clothing***



GSC's clothing range consists of a variety of styles and fits, designed specifically to improve comfort, mobility, temperature regulation and overall performance for a diverse range of sporting activities. GSC's clothing range is designed to replace traditional low performance fabrics used in sports and fitness clothing, with fabrics which maximise performance and comfort in all terrains and weather conditions

### **Footwear**



GSC's footwear range includes boots and shoes designed specifically for running, cycling, soccer, basketball, golf and, gym activities. GSC's footwear is designed to be light and breathable and to provide stability, cushioning and moisture management to maximise comfort and improve athletic performance and endurance.

### **Accessories**



GSC's accessories range includes gloves, socks, bags, exercise mats and headwear for a wide range of sports. Many of GSC's accessories are designed and manufactured with the same advanced fabric as the clothing and footwear ranges, to provide the same level of performance as GSC's other sportswear ranges.

## Fabric Design and Development

Many of the fabrics used to produce GSC's clothing and footwear products are sourced from a small number of specialist third-party fabric suppliers and have all been developed in collaboration with GSC's own product design and development team. GSC employs over 250 highly skilled and qualified product designers at its headquarters in Geoland.



The fabrics used in most of its products are technical materials which assist in keeping the wearer comfortable during exercise. The type of fabric required will depend upon the intensity of the exercise and the type of activity. For example, yoga clothing should use fabrics with good stretch ability for ease of movement, whilst clothing and footwear for long distance running needs to keep the wearer comfortable over long periods and requires excellent moisture wicking

properties to enable sweat to transfer away from the wearer.

In 2019, nearly 75% of the fabric used in GSC's products was sourced from six specialist fabric suppliers. These fabric suppliers have primary locations in Southern Asia and Latin America. Some of the specialist fabric suppliers used by GSC also work with some of GSC's main competitors.

By working with a small number of specialist fabric suppliers, GSC's product design and development team is able to create a close working relationship with them to develop GSC's technically advanced fabrics, produced to its own specifications for design, fit and performance. GSC's product design and development team also works closely with GSC's marketing and sales team, and with professional athletes across a wide range of sports, to determine market trends and customer needs, which are continuously being built into its new fabric and product design specifications.

GSC regularly updates its product ranges to include the latest developments in fabric technology, and at the same time is always looking to enhance its product range. GSC's goal is to offer products that facilitate superior athletic performance, which provides its product design and development team and its specialist fabric suppliers with a clear direction to help them identify new opportunities to create performance sportswear products that meet the wide-ranging and changing needs of athletes of all abilities.

GSC has traditionally had limited patent protection on some of the technology and fabrics used in the manufacture of its products. However, patents are increasingly important with respect to its innovative products. As it continues to expand and drive innovation in its products, GSC expects to seek patent protection on products, features and concepts it believes to be strategically important to its business. GSC expects the number of patent applications to increase as business grows and as it continues to expand its products.



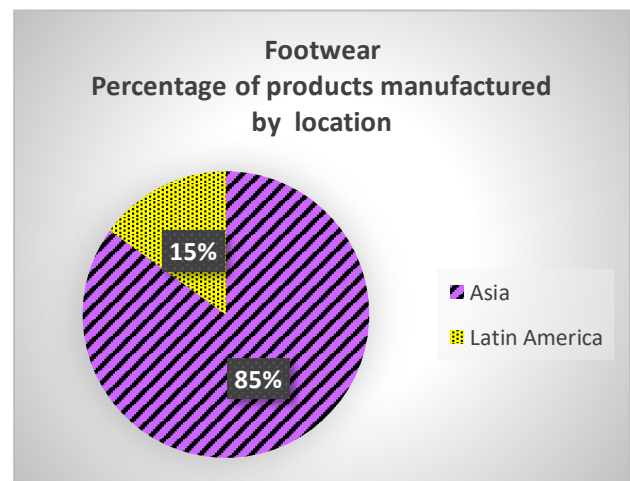
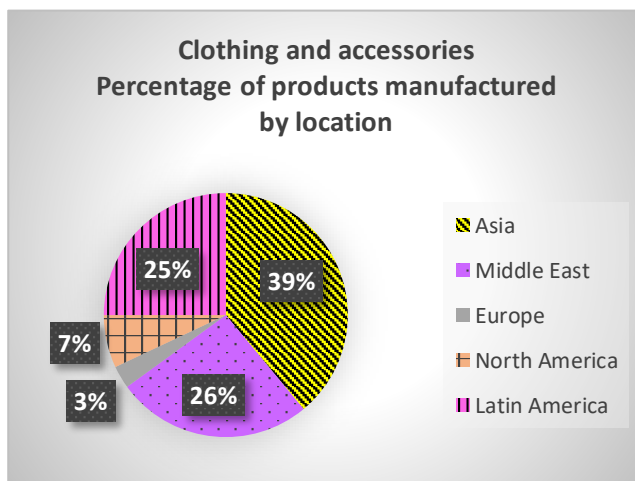
## Manufacturing and Quality Management



All GSC's products are manufactured by third-party contract manufacturers. In 2019, all GSC's clothing and accessories products were manufactured by 30 primary contract manufacturers, operating in 14 different countries. Approximately 65% of its clothing and accessories are currently manufactured in Asia and the Middle East and 25% are manufactured in Latin America.

Of its 30 primary clothing and accessories contract manufacturers, eight produced approximately 40% of GSC's clothing and accessories products in 2019. Many of GSC's contract manufacturers also work for GSC's competitors.

In 2019, all of GSC's footwear products were manufactured by five primary contract manufacturers, operating primarily in Asia. Of these five primary contract manufacturers, three produced approximately 75% of GSC's total footwear products.



GSC has formed a good long-term relationship with its contract manufacturers over the years and awards work based on the tenders submitted by the contract manufacturers, and their achievement of all requirements of GSC's Code of Conduct.



The tendering process for the manufacture of a product involves initially offering the manufacture of the product to a small number of selected contract manufacturers, to enable them to prepare a tender price. Firstly, new and updated product designs from GSC's product design and development team are downloaded via a secure Electronic Data Interchange (EDI) system to the prospective contract manufacturers' information systems. The prospective contract manufacturers will then prepare their tender, based on the price and quantity of the specially designed fabric to be used (which will be specified by GSC within the product design), other product component parts (some of which may also be specified by GSC), together with their own manufacturing costs. GSC's product design and development team will then place a firm order with the successful contract manufacturer, based on a mixture of criteria including price, quality, location and required delivery times.

As GSC aims to minimise the amount of inventory it holds at its distribution centres, in most cases it only places manufacturing orders with its contract manufacturers when it has received a firm order from a retail partner. GSC aims to achieve a manufacturing lead time (the time from the order being placed with the contract manufacturer to the completed products being received by the retail partner) of 10 weeks but this depends on the size of the order and the products being manufactured. However, GSC must hold a sufficient level of inventory to satisfy the needs of its online sales customers who are ordering continuously from the GSC websites, and for its smaller retail partners. Therefore, GSC has to regularly order from contract manufacturers to satisfy this inventory requirement.

All potential contract manufacturers, across all product categories, are evaluated in respect of quality systems, human resource management compliance and financial strength by GSC's internal quality audit team, prior to being selected. All of GSC's approved contract manufacturers are re-assessed on an ongoing basis. For its most popular product lines, GSC attempts to identify several contract manufacturers who can deliver these product types to ensure continuity of supply. GSC also works with contract manufacturers to encourage focus on continuous improvement to improve worker safety, increase efficiency of operations and to reduce resource consumption and material wastage.

GSC enters into a variety of agreements with contract manufacturers, including non-disclosure and confidentiality agreements. All contract manufacturers working for GSC must also sign and adhere to GSC's strict 'Code of Conduct for Outsourced Manufacturers'. The Code of Conduct sets out the minimum standards of ethical and responsible behaviour which must be met. GSC's internal quality auditors ensure that all contract manufacturers understand and fully comply with GSC's Code of Conduct.

The Code of Conduct presents contract manufacturers and fabric suppliers with strict guidelines in the following areas:

- Workplace health and safety systems
- Fair remuneration and working hours
- Zero tolerance of work force exploitation, such as the use of child labour, forced labour or discrimination
- Documented employment records
- Product and material traceability
- Environmental protection activities and adherence to environmental policies
- Exclusivity of design (i.e. contract manufacturers cannot reproduce GSC's designs for their own purposes)

## Distribution



GSC's sophisticated inventory and logistics information system tracks and records the movement of all GSC products from the point of purchase from the contract manufacturer to the final sale to the customer. The system starts from the point of ordering products from the contract manufacturers and tracks goods from their journey inwards to a distribution centre, their movements within the distribution centres and their journey outwards to the retail partner or online sales customer.

GSC uses the services of a diverse network of third-party logistics partners to manage both goods inwards and goods outwards. Third-party logistics companies will be scheduled to collect the finished manufactured products from contract manufacturers and to deliver these to GSC distribution centres across the world. Third-party logistics providers are also used for goods outwards activities, delivering finished products to GSC's retail partners and online sales customers. GSC uses many different logistics companies to assist with their global distribution activities, with bespoke logistics software selecting the most appropriate, available logistics partner for each logistics task.

In North America, GSC owns and operates from three distribution centres, strategically located in three major cities across Geoland. GSC also owns and operates from a total of six distribution facilities in its three other primary sales markets (Europe, Latin America and Asia Pacific). At each distribution centre, goods inwards are checked for quality before they are sorted and stored. When goods are ordered by online sales customers, GSC uses a labour-intensive process of picking and packing goods for subsequent distribution. Although GSC is currently investing in increasing levels of robotics and automation in picking and packing, it remains a process with significant levels of human involvement, particularly for online sales orders.

In some instances, where it is convenient and optimises inventory management, GSC has its products transported directly from the contract manufacturer to a retail partner, without the need for transport to a GSC distribution centre. This will be determined by the inventory and logistics information system. In these instances, quality checks are carried out by GSC's quality auditors, at the contract manufacturers premises, before they are delivered to the retail partner.

GSC's integrated inventory and logistics information system manages and co-ordinates the whole process of inward and outward carriage of all products delivered to and from GSC's global distribution centres, both to retail partners and to online sales customers. The inventory and logistics information system links directly to all GSC's distribution centres and also to all of its key third-party logistics providers.

## Inventory Management Approach



A robust inventory management system is critical to the financial performance and operating results of GSC.

GSC's inventory management strategy is focused on managing its current sales orders from retail partners and online sales customers, anticipating its future sales orders and managing the delivery requirements of its retail partners and online sales customers. GSC's

inventory management strategy, therefore, is focused on making sure that it meets its customer demands whilst, at the same time, optimising inventory efficiency, through implementing information systems and processes to continuously improve inventory management.

These information systems include GSC's global operating and financial reporting information system which is designed to improve forecasting of customer orders and inventory supply planning activities, and its inventory and logistics information system, which coordinates the manufacture and distribution processes.

In addition to these information systems, the key processes GSC carries out to improve inventory management include a continual drive towards reducing its manufacturing lead time and improved sales forecasting activities to reduce excess inventory.

GSC manages inventory proactively, continually identifying items that have been at a distribution centre for longer than desired and utilising a small number of retail partners across the world to specifically sell these older items. GSC offers the old inventory, at a highly discounted price, to a very limited number of retail partners, so that the premium brand is largely protected. There are very few outlets where old GSC products can be purchased and, therefore, these sales, whilst being a very useful part of inventory management, form a very small proportion of overall business and go largely unnoticed by most consumers.

## Sales and Marketing activities

The focus of GSC's sales and marketing activities is on promoting the use of its products in fitness, training, sporting and outdoor activities and as part of an active and healthy lifestyle. GSC's aim is to continually develop brand awareness of its products' ability to deliver superior athletic performance.

Currently, the main target market for GSC is consumers aged 18-35. GSC is also keen to attract the interest of younger teenage athletes (13-17). This demographic is often loyal to brands and products with which they identify. A key tool used by GSC in the last five years, to access and interact with both of these key consumer groups, has been social media. GSC has been proactive in its use of social media to promote its products and brand, and to build a strong community of followers. GSC has a strong presence across several social media platforms and uses them to interact with current and potential customers. Social media has been particularly effective in attracting interest through sponsorship of several famous sports teams and sports stars with large social media followings.

## Retail Sales

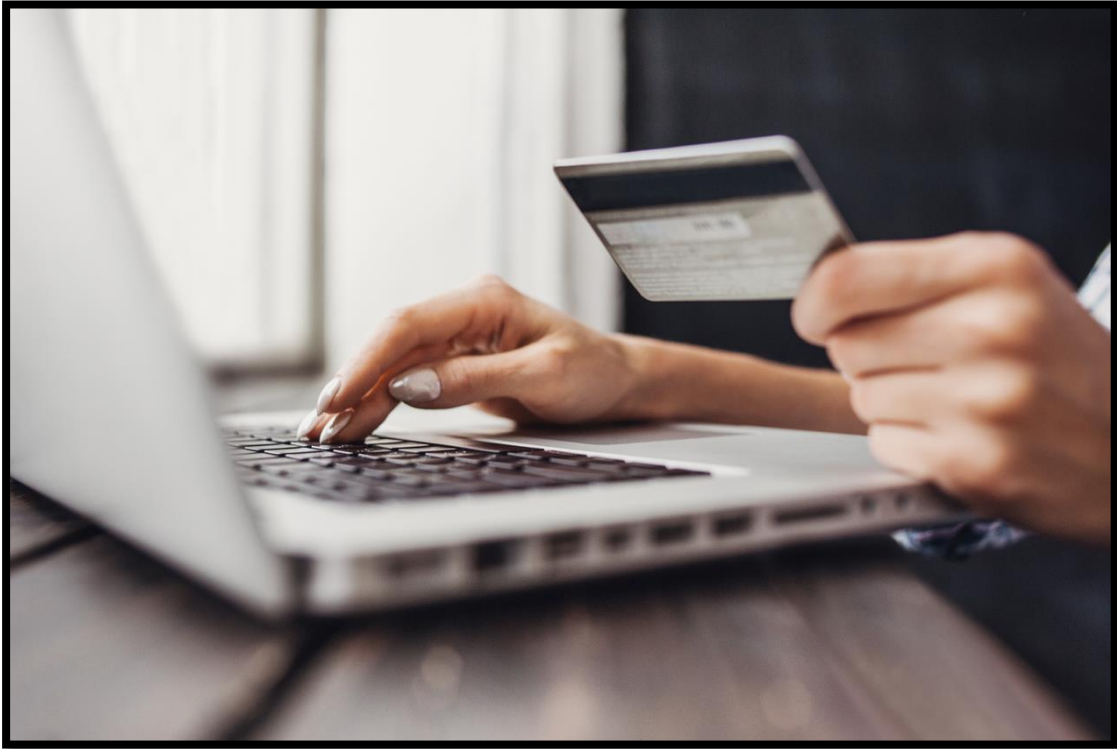
Unlike many of its nearest competitors, GSC does not operate its own retail outlets. Approximately 70% of GSC's sales are generated through its third-party retail partners, which includes national and regional sporting goods chains, speciality sports retailers and department store chains. GSC sells its products to retail partners at a negotiated price, below the recommended retail price (RRP). The negotiated price will depend on a number of factors including order volume, complexity of delivery requirements and whether the retail partner offers premium position of GSC's products in its stores. However, GSC insists that retail partners sell GSC's products at their RRP in order to preserve the GSC brand, although they can sell out-of-season items, or discontinued product ranges, at a discounted price.

The focus of GSC's recent retail sales and marketing strategy has been to increase the floor space dedicated to GSC branded products within its retail partners' stores. A major development in 2019 was the design and implementation of a number of GSC 'concept shops' located within a selected range of GSC's major retail partners' stores.

These concept shops have been hugely successful for GSC in promoting its brand by offering a 'shop-in-shop' facility, using dedicated floor space exclusively for GSC products. This has proved to be a successful strategy for GSC in securing prime floor space and in creating an exciting environment for the end consumer to experience the GSC brand.



## Online Sales



GSC sells approximately 30% of its products directly to end consumers through its own websites. GSC has sophisticated websites operating globally, which are updated continuously with the latest products available. Online sales customers can browse the websites and place orders directly and pay electronically. The products sold through GSC's own websites are sold at the same recommended retail price as those applied by the retail partners. Goods are normally then delivered to online sales customers from the nearest distribution centre within 5 working days, using the services of the third-party logistics providers used by GSC, who operate in the region where the online sales customer is located. For its latest product ranges, GSC charges the full RRP to online sales customers plus an additional fee for delivery.

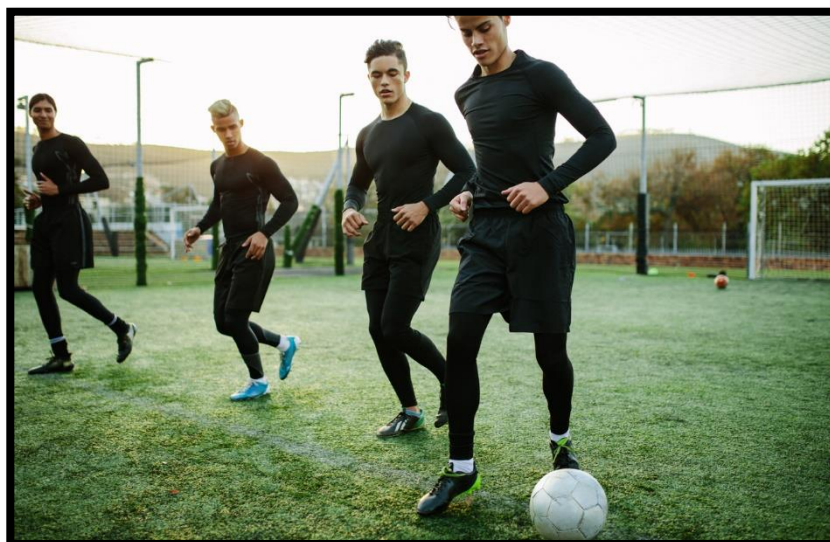
GSC operates a number of websites to service its online sales customers in a several countries located in its main markets of North America, Latin America, Europe and Asia Pacific. These websites link directly to GSC's inventory and logistics information system and are automatically updated to reflect the latest inventory availability and logistics scheduling to online sales customers.



## Sponsorship

GSC enters into contractual sponsorship agreements with teams, from high school and collegiate levels through to professional star athletes, in order to promote its brand and products. These contractual commitments include official supplier arrangements, event sponsorships and other marketing and brand promotion activities. Currently, GSC only sponsors teams and athletes based in North America.

GSC operates this strategy by providing its branded products directly to sports teams and to top performing individual athletes, who in return, wear GSC's products whilst performing their sport. In addition, sponsored individuals and teams are required to take part in promotional activities such as advertising GSC's products at events and



in their own marketing sources (such as the club/ individual's website and social media channels and other promotional literature such as fan newsletters and emails).

GSC also sponsors several sporting events to build brand awareness, from hosting sports camps for young athletes in a wide range of sports, through to sponsoring national level tournaments. As a result, its products are seen in action on the field, enabling potential customers to see GSC's products being used by top-performing athletes.

### Forecast Sponsorship Expenditure (2020 – 2024)

Sponsorship Type	2020	2021	2022	2023	2024
	G\$'000	G\$'000	G\$'000	G\$'000	G\$'000
Collegiate	38,000	34,000	31,000	31,000	30,000
Individual - Professional	30,000	32,000	31,000	30,000	30,000
Team - Professional	50,000	55,000	64,000	75,000	90,000
<b>Total</b>	<b>118,000</b>	<b>121,000</b>	<b>126,000</b>	<b>136,000</b>	<b>150,000</b>

The amounts shown above include the minimum sponsorship obligations and guaranteed fees required to be paid by GSC in respect of its existing long-term sponsorship agreements and also includes anticipated spend on potential future sponsorship deals.

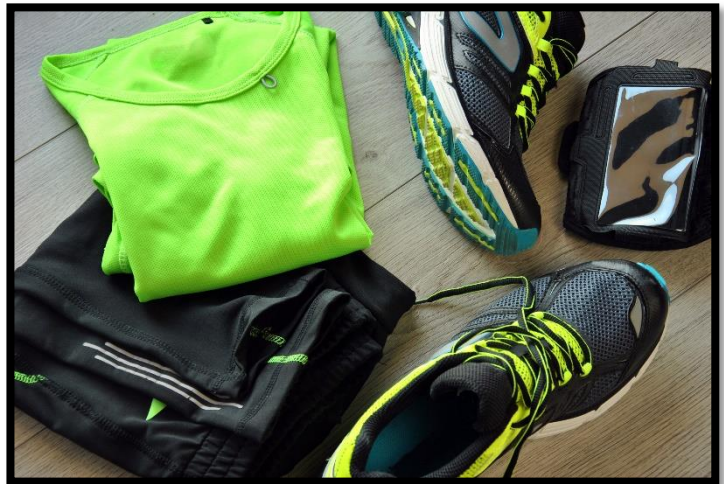
The amounts shown above do not include certain additional performance incentives (such as player/ individual bonus payments for winning major trophies or tournaments) and product supply obligations. This is because it is not possible to determine exactly how much GSC will need to spend on product supply and incentives on an annual basis. For example, the amount of products provided to the sponsorship recipients depends on several factors such as playing conditions and the number of events they take part in.



## Competition

The sportswear industry is highly competitive. There are hundreds of sportswear businesses operating across the world, with many being global organisations like GSC.

Some competitors have well established, familiar brands and have been operating for many decades, but there are also new competitors entering this vast market on a regular basis, keen to gain a foothold and develop the next big brand. Such high levels of competition make it hard for businesses to stand out. Consumer preferences change frequently, so it is a constant challenge for all incumbents in the market to remain relevant, different and prioritised in the minds of customers.



Competition for GSC not only arises from companies that focus on high quality sports performance clothing, but also from lower quality clothing companies that produce low-price, fashion orientated sports clothing. GSC positions itself as a differentiated, high-quality and high-performance sportswear provider and, therefore, considers primarily the activities of other organisations that position themselves similarly, when performing competitor analysis, rather than focusing on the activities of the low-price, fashion-orientated retailers.

GSC's three biggest competitors in sports clothing are the globally popular, high quality sportswear companies 'Slate', 'Rollercoaster' and 'Athletica' all of whom operate their own retail outlets. GSC also recognises the competitive threat presented by many smaller performance-based sports clothing retailers.

GSC also faces many competitors in the footwear and accessories markets. Footwear is dominated by a few large companies, but the accessories market comprises many more small companies with no dominant companies. In the footwear and accessories markets GSC has a very small market share.

### Market share of global sports clothing\* 18-35 years olds

	Company HQ	%
Slate	North America	20
Rollercoaster	North America	14
Athletica	Europe	5
GSC	North America	4
Other	Worldwide	57

\*excluding footwear and accessories

## Extracts from GSC's annual report 2019

### **Mission Statement**

To use our passion for innovation to inspire every athlete to maximise their performance and reach their full potential.

### **Vision statement**

To be the brand of choice for the performance driven athlete.

### **Aims for 2020**

GSC has several business aims for the coming year. These are:

1. To focus on those key areas of our business which offer sustainable growth
2. To continue to develop new and innovative products to satisfy the performance demands of athletes in order to protect and grow the GSC brand
3. To focus on improving business performance through efficient management of our value chain activities.
4. To deliver growth through the development of new market opportunities.
5. To continue to develop our commitment to increasing our retail visibility in our key markets

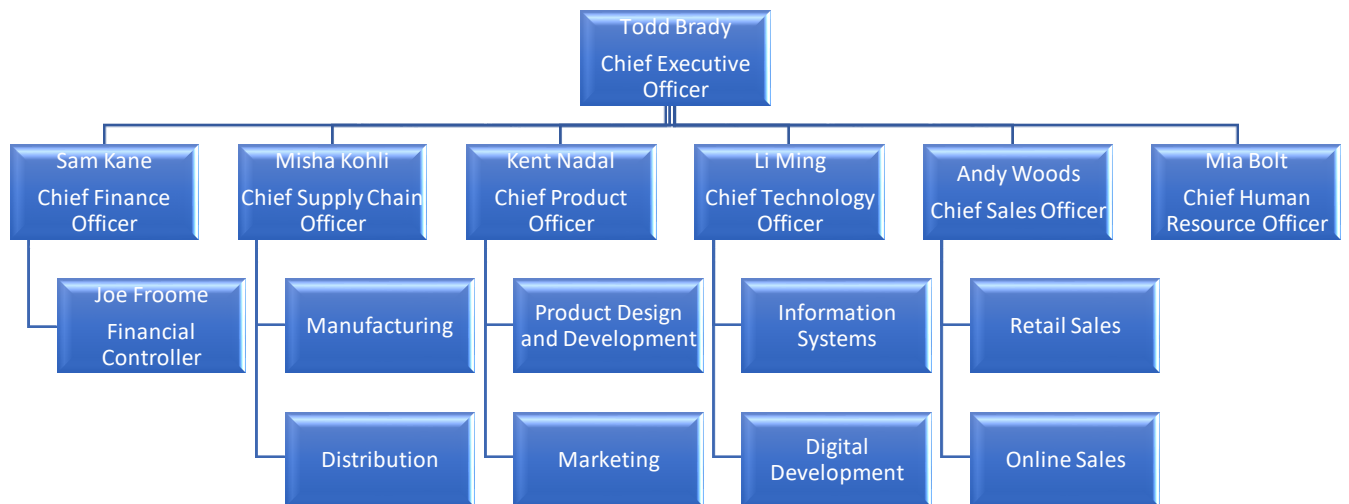
### **Financial highlights for 2019 as compared to the prior year period include:**

- Revenues increased by 5%.
- Clothing revenue increased 5.5% compared to the prior year. Accessories revenue increased by 6.5%.
- Revenue in our Latin America segment increased by 40% and revenue in our Asia-Pacific segment grew by nearly 23%.
- Profit after tax increased by over 13%

A large majority of our products are sold in North America; however, we believe our products appeal to athletes and consumers with active lifestyles around the world.

We believe that the global trend in active lifestyles provides us with an expanding consumer base for our products. We also believe there is a continuing shift in consumer demand towards high performance products, which are intended to provide better athletic performance. These shifts in consumer preferences and lifestyles are not unique to North America, but are occurring in a number of markets globally, thereby increasing our opportunities to introduce our performance products to new consumers. We plan to continue to grow our business over the long term, through increased sales of our clothing, footwear and accessories, expansion of our retail partner distribution network, growth in our direct to consumer sales channel and expansion in international markets.

## Organisation Chart – Senior Leadership Team



## Financials

The following information has been extracted from GSC Plc's financial statements for the year ended 30 June 2019

**GSC Plc**  
**Consolidated statement of profit or loss**  
**for the year ended 30 June**

	2019 G\$ million	2018 G\$ million
Revenue	3,542	3,371
Cost of sales <sup>1</sup>	(2,140)	(2,045)
Gross profit	1,402	1,326
Other operating expenses <sup>2</sup>	(1,127)	(1,080)
Operating profit	275	246
Finance costs	(40)	(39)
Profit before tax	235	207
Tax	(47)	(42)
Profit for the year	188	165

### Notes

#### 1 Cost of sales

This includes the costs incurred in the manufacture of products by contract manufacturers and the costs associated with logistics.

#### 2 Other operating expenses

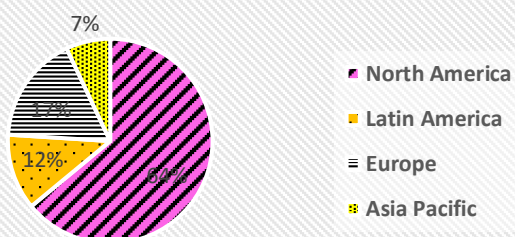
This includes distribution centre costs, IT, marketing and staff costs.

## Segmental Analysis

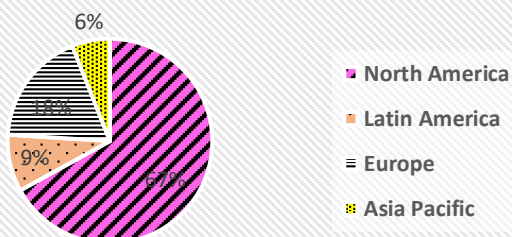
### Revenue by region

	2019 G\$m	2018 G\$m	Change G\$m	% Change
North America	2,267	2,259	8	0.35%
Latin America	425	303	122	40.26%
Europe	602	607	(5)	(0.82%)
Asia Pacific	248	202	46	22.77%
<b>Total Revenue</b>	<b>3,542</b>	<b>3,371</b>	<b>171</b>	<b>5.07%</b>

Segmental Analysis: Revenue %  
by region 2019



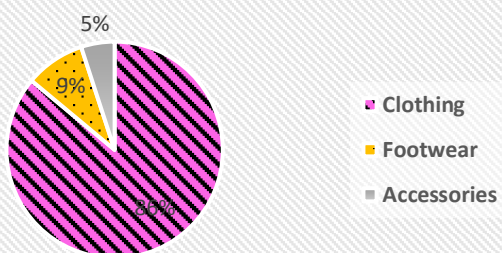
Segmental Analysis: Revenue %  
by region 2018



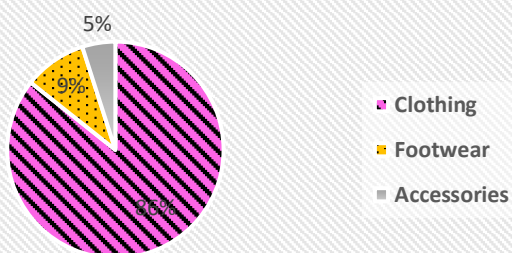
### Revenue by product type

	2019 G\$m	2018 G\$m	Change G\$m	% Change
Clothing	3,048	2,889	159	5.50%
Footwear	317	315	2	0.63%
Accessories	177	167	10	5.99%
<b>Total Revenue</b>	<b>3,542</b>	<b>3,371</b>	<b>171</b>	<b>5.07%</b>

Segmental Analysis: Revenue %  
by product type 2019



Segmental Analysis: Revenue %  
by product type 2018



**GSC Plc**  
**Consolidated statement of financial position**  
**as at 30 June**

	2019 G\$ million	2018 G\$ million
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1,068	1,075
<b>Current assets</b>		
Inventories	522	504
Trade receivables	617	561
Cash and cash equivalents	547	528
	1,686	1,593
<b>Total assets</b>	<b>2,754</b>	<b>2,668</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	1,050	1,050
Retained earnings	387	349
	1,437	1,399
<b>Non-current liabilities</b>		
Borrowings	541	534
<b>Current liabilities</b>		
Trade and other payables	604	584
Borrowings	125	109
Tax	47	42
	776	735
<b>Total liabilities</b>	<b>1,317</b>	<b>1,269</b>
<b>Total equity and liabilities</b>	<b>2,754</b>	<b>2,668</b>



# **GSC Plc**

## **Consolidated Statement of cash flows for the year ended 30 June 2019**

	<b>2019</b>	<b>2018</b>
	<b>G\$ million</b>	<b>G\$ million</b>
Operating profit	275	246
Depreciation	241	231
Increase in inventories	(18)	(33)
Increase in trade receivables	(56)	(48)
Increase in trade and other payables	20	63
<b>Cash generated from operations</b>	<b>462</b>	<b>459</b>
Tax paid	(42)	(35)
Finance costs paid	(40)	(39)
<b>Net cash inflow from operating activities</b>	<b>380</b>	<b>385</b>
<b>Cashflows from investing activities</b>		
Capital expenditure	(234)	(225)
<b>Cashflows from financing activities</b>		
Dividends paid	(150)	(135)
Proceeds from borrowing	23	31
	(127)	(104)
<b>Net increase in cash and cash equivalents</b>	<b>19</b>	<b>56</b>
<b>Cash and cash equivalents at the start of the year</b>	<b>528</b>	<b>472</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>547</b>	<b>528</b>

## Management Accounting information

### 1. Extract of sales revenue budget performance report

2019/2020 sales performance to date in G\$'000					
	July	August	Sept	October	Total
<b>Clothing</b>					
Actual	269,801	270,725	257,909	252,099	1,050,534
Budget	270,833	276,250	265,200	257,244	1,069,527
Variance	(1,032)	(5,525)	(7,291)	(5,145)	(18,993)
<b>Footwear</b>					
Actual	23,733	21,973	22,380	22,020	90,106
Budget	26,667	27,467	26,643	25,311	106,088
Variance	(2,934)	(5,494)	(4,263)	(3,291)	(15,982)
<b>Accessories</b>					
Actual	15,992	15,989	15,979	15,199	63,159
Budget	15,833	16,150	15,666	15,352	63,001
Variance	159	(161)	313	(153)	158
<b>Total variance</b>	<b>(3,807)</b>	<b>(11,180)</b>	<b>(11,241)</b>	<b>(8,589)</b>	<b>(34,817)</b>

### 2. Working capital data including 2020 forecast

Working capital data	2015	2016	2017	2018	2019	2020
Inventory days	91	93	89	90	89	90
Trade receivable days	85	95	80	85	91	85
Trade payable days	70	71	69	73	72	70

**Note:**

The trade receivable days and trade payable days shown above cannot be calculated from the financial statements presented.

## Exhibits

### **MARKETING WEEKLY**

## **BIG BUSINESSES ARE TURNING TO SPORT TO DRIVE AWARENESS OF THEIR PRODUCTS**

*NEWS IN BRIEF > BRANDING > SPORTSWEAR*



Sports sponsorship is capable of driving huge growth in brand awareness and affinity. Recent high-profile examples show exactly what is possible.

Rollercoaster, the sports clothing and accessories brand, was founded in 1994. By 2001, it had signed deals with teams in Major League baseball, the National Basketball League and several European soccer clubs.

It is now the official kit sponsor of two international soccer teams and sponsors leading sports stars in soccer, golf and tennis.

Another example is Blue Cat, the Northern European Company that produces a well-known energy drink, which has also enjoyed sporting “success”. It owns several soccer teams, and a motor racing team and sponsors many sports athletes including the whole of the national ski team of the European alpine country of Cortola. Such activities have helped Blue Cat increase worldwide revenues by over 22% over the past four years.

Most global companies are beginning to recognise that sports star sponsorship can have a huge impact on brand awareness.

## Geoland Small Business Forum

### Retailer sales Blog post

## Has your business got what it takes?



If you are a small business that stocks branded athletic and performance sportswear, securing the opportunity to stock big brands can draw more customers to your store or online shop.

However, some sports companies are easier to purchase wholesale products from than others.

GSC, the popular Geoland-based sportswear business, manufactures a diverse variety of sportswear, shoes and accessories, but it is fairly restrictive when providing opportunities for other businesses to carry its goods, limiting new retailers to those that have a bricks and mortar storefront.

### GSC Branding

Like many companies, GSC considers its brand a significant competitive strength. This desire to maintain an image of quality leads to restriction. Company rules such as prohibiting sponsorship partners from adding certain logos to its performance sportswear and controlling the price point of GSC products help it to maintain its strong quality-focused image. GSC believes that the greater the number of retailers which sell GSC branded products, the greater the risk that its image could be damaged. If your business secures the ability to carry GSC products, you will be in an elite class, but you will have to meet very high expectations.

## Geoland Fashion Focus>Sportswear>Breaking News

**European sportswear retailer Athletica has made its move into the North American sportswear market this week as it formally completed its acquisition of Geoland based Lynx-Pro.**

The move takes the European retailer to a new level, competing in the largest sportswear market in the world. As a result of the acquisition, Lynx-Pro has become an indirect wholly-owned subsidiary of Athletica.

“This marks a momentous step in Athletica’s global expansion and is an exciting opportunity to bring our market leading, multi-brand retail proposition to the world’s largest sportswear market, both online and in stores” CEO Ged Colt stated at the company’s press conference earlier today.

With Lynx-Pro, Athletica gains 80 retail stores across Geoland and its neighbouring country of Portilia.

The popular retail chain wants to “bring best in class retail experience and multi-channel consumer experience to North America”, and capitalise on its trendy sports shoes and clothing retail formula that helped it become Europe’s leading sportswear retailer by market value.

The Lynx-Pro acquisition is part of a wider expansion plan to transform the business into a global player.