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PEAT  
MARWICK

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K SHOEMAKERS LIMITED

DIRECTORS' REPORT AND ACCOUNTS

26 JANUARY 1985



K SHOEMAKERS LIMITEDDIRECTORS' REPORT

The directors present their annual report and the audited accounts for the year ended 26 January 1985.

PRINCIPAL ACTIVITIES

The principal activity of the company is the manufacture and sale of footwear.

BUSINESS REVIEW AND FUTURE DEVELOPMENT

The company has maintained its activities in the shoe trade throughout the year and there have been no significant changes in its business.

The results for the year, set out on page 4, reflect the improvement in trading operations during the year.

It is intended to maintain all current activities during 1985.

PROPOSED DIVIDEND

The directors propose to pay a dividend of £2,992,402.

MARKET VALUE OF LAND AND BUILDINGS

The directors are of the opinion that the open market value of the freehold land and buildings is approximately £5,709,000, compared with their book amount of £5,483,000.

DIRECTORS AND DIRECTORS' INTERESTS

The directors who served during the year were:

G O Probert (Chairman)  
D J Hawkes  
J R Peat  
T J Lewis  
J A Stretch  
T J Power  
J M Coombs

Mr. J.R. Reeves resigned on 30th June, 1984 and Mr. D.W. Cheeseman and Mr. S. Hilling were appointed on 30th November, 1984.

No director has an interest in the shares of K Shoemakers Limited. The notifiable interests of the directors in the share capital of C & J Clark Limited, the company's ultimate holding company, were:

	<u>26 January 1985</u>	<u>28 January 1984 or date of appointment</u>
J M Coombs	588	400
T.J. Lewis	344	-
J.A. Stretch	296	-
T.J. Power	282	-
D.W. Cheeseman	1,395	1,395
S. Hilling	692	692

K SHOEMAKERS LIMITED

DIRECTORS' REPORT

(continued)

DIRECTORS AND DIRECTORS' INTERESTS (continued)

Mr. G.O. Probert, Mr. J.R. Peat and Mr. D.J. Hawkes are directors of K Shoes Limited, the company's immediate holding company, and consequently have not notified this company of their interests in other group companies.

EMPLOYEES

The company gives every consideration to the employment of disabled people.

The company, through regular formal briefings, keeps employees informed of current performance and development.

POLITICAL AND CHARITABLE CONTRIBUTIONS

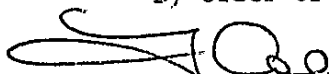
Charitable donations of £5,130 (1984 : £3,840) were made during the year.

No political donations were made.

AUDITORS

In accordance with Section 14 of the Companies Act 1976, a resolution for the re-appointment of Peat, Marwick, Mitchell & Co as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board,

  
J M Coombs

Secretary

Netherfield  
Kendal  
Cumbria

8th March, 1985.

REPORT OF THE AUDITORS TO THE MEMBERS OF

K SHOEMAKERS LIMITED

We have audited the accounts on pages 4 to 17 in accordance with approved Auditing Standards.

In our opinion the accounts, which have been prepared on the basis of the accounting policies set out on pages 7 and 8, give a true and fair view of the state of the company's affairs at 26 January 1985 and of its profit and source and application of funds for the year to that date and comply with the Companies Acts 1948 to 1981.

*Paul - Munnell Unltd L.*

Chartered Accountants

City Square House,  
7, Wellington Street,  
LEEDS  
LS1 4DW

*12th Nov 1985*

K SHOEMAKERS LIMITEDPROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 26 JANUARY 1985

	<u>Note</u>	<u>1985</u>	<u>1984</u>
TURNOVER	4	£55,521,874	£50,109,431
Cost of sales		(42,120,545)	(37,779,570)
GROSS PROFIT		13,401,329	12,329,861
Distribution costs		(656,704)	(652,388)
Administrative expenses		(7,844,259)	(7,475,696)
Other operating income		41,169	140,000
Other interest receivable and other income		13,881	8,765
Amounts written off investments		-	(1)
Interest payable and similar charges	6	(125,853)	(128,152)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	4,829,563	4,222,389
TAX ON PROFIT ON ORDINARY ACTIVITIES	7	(1,878,848)	(2,001,830)
PROFIT FOR THE FINANCIAL YEAR		2,950,715	2,220,559
PROPOSED DIVIDEND		(2,992,402)	(2,220,559)
TRANSFER FROM RESERVES		(41,687)	-
Depreciation written back on revaluation of property		88,527	137,500
Transfer of realised gains in earlier years from revaluation surplus		-	464,621
Retained profit brought forward		7,732,754	7,130,633
RETAINED PROFIT CARRIED FORWARD		7,779,594 =====	7,732,754 =====

The notes on pages 7 to 17 form part of these accounts.

K SHOEMAKERS LIMITED  
BALANCE SHEET AT 26 JANUARY 1985

	<u>Note</u>	<u>1985</u>	<u>1984</u>
<b>FIXED ASSETS</b>			
Tangible assets	8	£ 7,780,167	£ 8,626,857
Investments	11	<u>1,100</u>	<u>15,107</u>
		£7,781,267	£8,641,964
<b>CURRENT ASSETS</b>			
Stocks	9	9,833,394	9,804,227
Debtors	10	14,918,076	11,500,816
Cash at bank and in hand		<u>78,210</u>	<u>169,610</u>
		24,829,680	21,474,653
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	12	<u>(16,998,576)</u>	<u>(13,943,834)</u>
NET CURRENT ASSETS		<u>7,831,104</u>	<u>7,530,819</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		15,612,371	16,172,783
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	13	(2,744,500)	(2,980,750)
PROVISIONS FOR LIABILITIES AND CHARGES	14	<u>(2,011,000)</u>	<u>(2,736,000)</u>
NET ASSETS		<u>10,856,871</u> =====	<u>10,456,033</u> =====
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	373,907	373,907
Revaluation reserve	15	2,703,370	2,349,372
Profit and loss account		<u>7,779,594</u>	<u>7,732,754</u>
		10,856,871 =====	10,456,033 =====

These accounts were approved by  
the board of directors on  
8th March, 1985.

G.O. PROBERT)  
                                ) DIRECTORS  
J.R. PEAT            )

*G.O. Probert*  
*J.R. Peat*

The notes on pages 7 to 17 form part of these accounts.

K SHOEMAKERS LIMITEDSTATEMENT OF SOURCE AND APPLICATION OF FUNDSFOR THE YEAR ENDED 26 JANUARY 1985

	£	1985	£	£	1984	£
SOURCE OF FUNDS						
Profit on ordinary activities before taxation						
			4,829,563			4,222,389
Adjustments for items not involving the movement of funds:						
Provisions created	423,000			-		
Depreciation and amortisation	817,256			869,642		
Deficit/(surplus) on sale of tangible fixed assets	<u>66,650</u>			<u>(52,537)</u>		
			<u>1,306,906</u>			<u>817,105</u>
FUNDS GENERATED FROM OPERATIONS			6,136,469			5,039,494
FUNDS FROM OTHER SOURCES						
Proceeds of sale of tangible fixed assets			1,312,341			252,263
Proceeds of sale of investments			<u>14,007</u>			<u>1</u>
			7,462,817			5,291,758
APPLICATION OF FUNDS						
Purchase of fixed assets	(907,032)			(811,989)		
Tax paid	(26,257)			(685,403)		
Dividend paid	(2,220,559)			-		
Provisions utilised	(615,000)			(270,000)		
Decrease in creditors: amounts falling due after more than one year	<u>(600,250)</u>			<u>(571,000)</u>		
			<u>(4,369,098)</u>			<u>(2,338,392)</u>
INCREASE IN WORKING CAPITAL			<u>3,093,719</u>			<u>2,953,366</u>
COMPONENTS OF INCREASE IN WORKING CAPITAL						
Stocks			29,167			325,771
Debtors			3,417,260			1,938,384
Creditors falling due within one year			(261,308)			578,244
Movement in net liquid funds:						
(Decrease)/increase in cash at bank and in hand			(91,400)			110,967
			<u>3,093,719</u>			<u>2,953,366</u>

K SHOEMAKERS LIMITEDNOTES TO THE ACCOUNTS1. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's accounts:-

(a) Basis of accounting

The accounts have been prepared using the historical cost convention modified by the adoption of current cost accounting for fixed assets.

(b) Fixed assets

Fixed assets are stated at their value to the business on the following basis:

- 1) Freehold and leasehold land and buildings are stated at their estimated open market value on an existing use basis.
- 2) Substantially all other fixed assets are stated at net current replacement cost. The gross replacement cost is determined in relation to the movement in the appropriate UK official indices since the year of acquisition. These assets have been depreciated in accordance with normal depreciation policy to give net current replacement cost. The net value shown in the balance sheet does not purport to be an estimate of realisable value.

(c) Depreciation and amortisation

Depreciation is provided on non-residential freehold buildings at a rate of 2% per annum. Long and short leasehold properties are amortised by equal annual instalments over 50 years and the life of the lease respectively. Plant and equipment are depreciated to write off their gross current replacement cost over their expected useful lives. For this purpose, the expected lives are:

Plant, machinery and fixtures	5 or 10 years
Motor vehicles	4 years

Freehold land and residential properties are not depreciated.

(d) Stocks and work in progress

Stocks and work in progress are valued at the estimated cost of raw materials, labour, and factory overheads, less provisions where necessary, to reduce them to net realisable value.

(e) Research and development

All expenditure is written off when incurred.



K SHOEMAKERS LIMITEDNOTES TO THE ACCOUNTS

(continued)

1. PRINCIPAL ACCOUNTING POLICIES (continued)(f) Foreign currency translation

Foreign currencies are translated into sterling at the rates ruling at the accounting date.

(g) Pensions

Rates of contribution to employee pension funds are maintained at levels necessary to meet the cost of pension benefits as they become due. Any adjustments required to the rates of contribution are determined in the light of the results of regular independent actuarial valuations.

(h) Deferred taxation

Deferred taxation is provided at the rate of corporation tax ruling at the accounting date (the liability method). No provision is made against the potential liability to taxation unless there is a reasonable probability that it will arise in the foreseeable future.

K SHOEMAKERS LIMITEDNOTES TO THE ACCOUNTS

(continued)

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit before taxation is stated after charging or crediting the following:

	<u>1985</u> <u>£</u>	<u>1984</u> <u>£</u>
Depreciation of tangible fixed assets	817,256	869,642
Directors' emoluments (see note 3)		
Remuneration as executives	222,113	205,552
Hire of plant and machinery	609,949	547,951
Auditors' remuneration and expenses	25,750	26,500
Rents receivable	13,532	90,310
	=====	=====

3. EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES

Excluding pension contributions, the emoluments of the chairman were £Nil (1984 : £Nil); the emoluments of the highest paid director were £42,102 (1984 : £43,124); the emoluments of the other directors were within the following ranges:

	<u>1985</u> <u>Number</u>	<u>1984</u> <u>Number</u>
£Nil - £5000	1	1
£5,001 - £10,000	2	-
£15,001 - £20,000	1	-
£20,001 - £25,000	2	3
£25,001 - £30,000	1	2
£30,001 - £35,000	1	-

4. TURNOVER

Turnover represents amounts invoiced by the company in respect of footwear sold during the year, after deducting Value Added Tax and trade discounts.

The analysis of turnover by geographical area is as follows:

	<u>1985</u> <u>£</u>	<u>1984</u> <u>£</u>
United Kingdom	49,324,201	45,692,494
Rest of World	<u>6,197,673</u>	<u>4,416,937</u>
	55,521,874	50,109,431
	=====	=====

K SHOEMAKERS LIMITED

NOTES TO THE ACCOUNTS

(continued)

5. STAFF NUMBERS AND COSTS

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

	<u>1985</u> £	<u>1984</u> £
Production	2,487	2,402
Sales and distribution	250	257
Administration	<u>154</u>	<u>149</u>
	2,891	2,808
	=====	=====

The aggregate payroll costs of these persons were as follows:-

	<u>1985</u> £	<u>1984</u> £
Wages and salaries	18,116,639	16,316,556
Social Security costs	1,836,445	1,692,410
Other pension costs	<u>536,706</u>	<u>508,934</u>
	20,489,790	18,517,900
	=====	=====

6. INTEREST PAYABLE

	<u>1985</u> £	<u>1984</u> £
On bank loans, overdrafts and other loans, repayable within five years	84,166	128,152
	=====	=====

7. TAXATION

	<u>1985</u> £	<u>1984</u> £
Taxation based on the profit for the year of the company:		
Corporation tax at 45.83%	2,407,000	2,086,000
Deferred taxation due to		-
- change in rate	(638,000)	
- movement during the year	105,000	(80,000)
Foreign taxation	44,000	39,000
Over provision relating to prior periods	<u>(39,152)</u>	<u>(43,170)</u>
	1,878,848	2,001,830
	=====	=====

The taxation charge for the year has been reduced by:

Stock appreciation relief	62,332	288,740
	=====	=====

## K SHOENAKERS LIMITED

## NOTES TO THE ACCOUNTS

(continued)

## 8. TANGIBLE FIXED ASSETS

	Land and buildings				Plant, Machinery and		Total
	Freehold		Long leasehold		Short leasehold and Vehicles fittings		
	At Valuation	At cost	At Valuation	At cost	At Valuation	At cost	
	£	£	£	£	£	£	£
Cost or valuation at 28th January 1984	4,916,500	37,671	126,000	1,200,000	8,210,244	1,396,123	15,886,538
Revaluation ad Justments	217,227	-	7,000	-	410,421	-	634,648
Additions	355,523	-	-	-	368,234	183,275	907,032
Intra-group transfers	-	-	-	(1,200,000)	(185)	-	(1,200,185)
Disposals	(18,750)	(1,855)	-	-	(905,181)	(69,854)	(995,640)
At 26th January 1985	5,470,500	35,816	133,000	-	8,083,533	1,509,544	15,232,393
Depreciation and amortisation: At 28th January 1984	-	24,563	-	-	6,208,695	1,026,423	7,259,681
Revaluation ad Justments	(86,167)	-	(2,360)	-	280,650	-	192,123
Charged in year	86,167	-	2,360	-	495,202	233,527	817,256
Intra-group transfers	-	-	-	-	(1,958)	-	(1,958)
Disposals	-	(1,028)	-	-	(747,209)	(66,639)	(814,876)
At 26th January 1985	-	23,535	-	-	6,235,380	1,193,311	7,452,226
Value to the business at 26th January 1985	5,470,500	12,281	133,000	-	1,848,153	316,233	7,780,167
At 28th January 1984	4,916,500	13,108	126,000	1,200,000	2,001,549	369,700	8,626,857

K SHOEMAKERS LIMITEDNOTES TO THE ACCOUNTS(continued)8. TANGIBLE FIXED ASSETS (continued)VALUATION:LAND AND BUILDINGS

Freehold and leasehold land and buildings with the exception of residential property have been revalued at 26 January 1985 by the directors on the basis of their estimated open market value for their existing use.

Freehold land and buildings include at 26 January 1985 residential property at a cost of £35,816 on which depreciation has been provided of £23,535. No depreciation has been provided on this property during the period (1984 - £Nil).

PLANT, VEHICLES, FIXTURES AND FITTINGS

The gross replacement cost of plant, vehicles, fixtures and fittings has been estimated by the directors at 26 January 1985, by reference to the movement in relevant price indices.

The amount of freehold/leasehold land and buildings and plant and machinery (included above at a valuation) determined according to the historical cost accounting rules is as follows:-

	<u>Freehold</u> £	<u>Long</u> <u>Leasehold</u> £	<u>Plant and</u> <u>Machinery</u> £	<u>Total</u> £
Cost	4,914,191	215,532	3,793,830	8,923,553
Depreciation	<u>1,382,267</u>	<u>52,782</u>	<u>2,345,359</u>	<u>3,780,408</u>
Net book value at 26 January 1985	3,531,924	162,750	1,448,471	5,143,145
	=====	=====	=====	=====
Cost	4,561,663	215,532	3,741,940	8,519,135
Depreciation	<u>1,292,798</u>	<u>48,472</u>	<u>2,199,982</u>	<u>3,541,252</u>
Net book value at 28 January 1984	3,268,865	167,060	1,541,958	4,977,883
	=====	=====	=====	=====

K SHOEMAKERS LIMITEDNOTES TO THE ACCOUNTS  
(continued)9. STOCKS AND WORK IN PROGRESS

	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>
Raw materials and consumables	1,871,521	1,728,971
Work in progress	1,540,507	1,541,217
Finished goods and goods for resale	<u>6,421,366</u>	<u>6,534,039</u>
	<u>9,833,394</u>	<u>9,804,227</u>
	=====	=====

10. DEBTORS

	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>
Amounts falling due within one year:		
Trade debtors	2,711,867	2,306,753
Amounts owed by group companies	11,941,530	8,897,939
Other debtors	113,371	127,243
Prepayments and accrued income	<u>151,308</u>	<u>168,881</u>
	<u>14,918,076</u>	<u>11,500,816</u>
	=====	=====

11. INVESTMENTS

	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>
Shares in group companies at cost	<u>1,100</u>	<u>15,107</u>
	=====	=====

K SHOEMAKERS LIMITEDNOTES TO THE ACCOUNTS(continued)12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1985</u>		<u>1984</u>
£	£	£	£
Bank loans and overdrafts	747,474		516,000
Trade creditors	1,158,524		986,713
Amounts owed to group companies:			
Holding and fellow subsidiary companies	8,090,994	7,897,506	
Subsidiary companies	<u>246,010</u>	<u>260,017</u>	
	8,337,004		8,157,523
Taxation and social security:			
Corporation tax	2,018,918	(2,673)	
Other taxes	165,134	160,245	
Social security	<u>519,791</u>	<u>525,361</u>	
	2,703,843		682,933
Other creditors	487,907		806,565
Accruals and deferred income	571,422		573,541
Proposed dividend	<u>2,992,402</u>		<u>2,220,559</u>
	16,998,576		13,943,834
	=====		=====

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>1985</u>	<u>1984</u>
	£	£
Bank loans and overdrafts	293,500	848,750
Other creditors:		
Corporation tax (payable 1 May 1986)	2,451,000	2,087,000
Accruals and deferred income	<u>-</u>	<u>45,000</u>
	2,744,500	2,980,750
	=====	=====

K SHOEMAKERS LIMITEDNOTES TO THE ACCOUNTS(continued)14. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>Pensions and similar obligations</u>	<u>Deferred taxation</u>	<u>Other provisions</u>	<u>Total</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Balance at 28 January 1984	190,000	1,745,000	801,000	2,736,000
Utilised during the year	(150,000)	-	(465,000)	(615,000)
Charge/(credit) for the year in the profit and loss account	-	(533,000)	423,000	(110,000)
Balance at 26 January 1985	40,000	1,212,000	759,000	2,011,000

The amounts provided for deferred taxation and the full potential liability, calculated on the liability method, are set out below:-

	<u>1985</u>		<u>1984</u>	
	<u>Amount provided</u>	<u>Full potential liability</u>	<u>Amount provided</u>	<u>Full potential liability</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Difference between accumulated depreciation and amortisation and capital allowances	1,322,700	1,322,700	2,334,000	2,334,000
Special revenue expenditure	(110,700)	(110,700)	(589,000)	(589,000)
Surplus on revaluations	-	226,900	-	659,000
	1,212,000	1,478,900	1,745,000	2,404,000

15. REVALUATION RESERVE

	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>
Balance at 28 January 1984	2,349,372	2,657,638
Transfer to profit and loss account	-	(464,621)
Surplus on revaluation of assets	353,998	156,355
Balance at 26 January 1985	2,703,370	2,349,372



K SHOEMAKERS LIMITEDNOTES TO THE ACCOUNTS(continued)16. SHARE CAPITAL

	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>
Authorised:		
£1 ordinary shares	500,000	500,000
	=====	=====
Share capital allotted, called up and fully paid:	373,907	373,907
	=====	=====

17. COMMITMENTS

Capital commitments at 26 January 1985, for which no provision has been made in these accounts, were as follows:-

	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>
Contracted	621,000	175,000
Authorised but not contracted	-	-
	=====	=====

18. CONTINGENCIES

The company has guaranteed loans amounting to £161,250 and discounted a bill of exchange for £43,161.

The future minimum lease payments, which relate to finance leases and to non-cancellable operating leases, to which the company was committed as at 26 January 1985, amounted to £1,084,836 (1984 : £100,066).

19. MEDIUM TERM LOAN

The medium term loan is made up as follows:-

Creditors - amounts falling due within one year	£ 555,250
Creditors - amounts falling due after more than one year	<u>293,500</u>
	£ 848,750
	=====

The loan is secured by a debenture giving a floating charge over the assets of the company and is repayable in bi-annual instalments between 1985 and 1986 and carries an effective rate of interest of 8.5% per annum.

K SHOEMAKERS LIMITEDNOTES TO THE ACCOUNTS

(continued)

20. FLOATING CHARGE

In addition to the loan referred to in note 19, the undertaking property and assets of the company are subject to floating charges securing the following loans in other group companies.

	<u>1985</u>	<u>1984</u>
6.5% Debenture stock 1984/89	£134,750	£161,150
7.5% Debenture stock 1986/91	<u>129,015</u>	<u>492,315</u>
	263,765	653,465
	=====	=====

21. TAXATION STATUS

The company is a close company under the provisions of the Income and Corporation Taxes Act 1970.

22. ULTIMATE HOLDING COMPANY

The company's immediate holding company is K Shoes Limited and its ultimate holding company is C & J Clark Limited. Both of these companies are incorporated in Great Britain.