Stead & Simpson Limited

Directors' report and financial statements

Registered number 29468

1 January 2005

Contents

Directors' report

The directors present their annual report and the audited financial statements for the financial year ended 1 January 2005.

Principal activities

The principal activity of the company during the period was that of shoe retailing.

Business review

The company has had a successful year. A full review of the business is given in the accounts of Stead & Simpson Group Limited, the company's parent company.

Proposed dividend

The directors do not recommend the payment of a dividend.

Directors and directors' interests

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

JH Shannon
C Freedman
V Woodland
P Millward
DE Lockyer
R Parr
AJ Smith
JC Barnes
PJL Foot

The interests of the directors, other than directors of the holding company, in the ordinary shares of the parent company were as follows:

	1 January 2005	3 January 2004
AJ Smith	**17,036**	17,036
P Millward	**21,554**	21,554
R Parr	**30,966**	30,966
V Woodland	**38,370**	38,370

Employees

During the year the company has continued to develop its communication systems.

Our works committees and company circulars have been supplemented as sources of information by regular regional meetings for management and staff, and our training this year has again been targeted at developing involvement and commitment by improving briefing of staff within each branch.

The company recognises its duty to employ disabled people. As in our general employment policy, applications from disabled people are considered with regard to aptitude and attributes of the individual to the post concerned.

Directors' report *(continued)*

Auditors

A resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

PJL Foot
Secretary

Fosse Way
Syston
Leicester
LE7 1PG

Statement of directors' responsibilities

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 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG LLP
1 Waterloo Way
Leicester
LE1 6LP

Report of the independent auditors to the members of Stead & Simpson Limited

We have audited the financial statements on pages 5 to 22.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board 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 the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. 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 also 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 company's affairs as at 1 January 2005 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

Chartered Accountants
Registered Auditor

15th March, 2005.

Profit and loss account
for the 52 week period ended 1 January 2005

	Note	1 January 2005		3 January 2004 (restated)	
		£000	£000	£000	£000
Turnover			140,318		130,051
Cost of sales			(121,303)		(115,338)
Gross profit			19,015		14,713
Distribution costs		(4,698)		(4,413)	
Administrative expenses		(7,346)		(7,427)	
Commission and rents receivable		2,935		2,784	
			(9,109)		(9,056)
Operating profit			9,906		5,657
Net interest payable	3		(429)		(647)
Other financial charge			(29)		(56)
Profit on ordinary activities before taxation	2		9,448		4,954
Taxation	6		702		(60)
Retained profit for the period	15		10,150		4,894

The profit for the financial year was generated entirely from continuing activities and on an historical cost basis.

The attached notes form part of these accounts.

The figures for the corresponding period have been restated, following a change of accounting policy on full adoption of FRS17 *Retirement Benefits*.

Statement of total recognised gains and losses
for the 52 week period ended 1 January 2005

	1 January 2005	3 January 2004 (restated)
	£000	£000
Profit for the period	**10,150**	4,673
Movement in actuarial loss recognised in the pension scheme	**(275)**	(84)
Movement in taxation relating to pension scheme	**83**	25
Total recognised gains and losses in the period	**9,958**	4,614
Prior period adjustment	**(865)**	
Total gains and losses recognised since the last financial statements	**9,093**	

Balance sheet
at 1 January 2005

	Note	1 January 2005 £000	1 January 2005 £000	3 January 2004 (restated) £000	3 January 2004 (restated) £000
Fixed assets					
Intangible assets	7		545		363
Tangible assets	8		7,329		6,766
			7,874		7,129
Current assets					
Stock	9	22,727		22,068	
Debtors	10	8,333		8,098	
Cash at bank and in hand		963		333	
		32,023		30,499	
Creditors: Amounts falling due within one year	11	(22,647)		(29,986)	
Net current assets			9,376		513
Total assets less current liabilities			17,250		7,642
Creditors: Amounts falling due after more than one year	12		(1,871)		(1,971)
Net assets excluding pension liability			15,379		5,671
Net pension liability	18		(615)		(865)
Net assets			14,764		4,806
Capital and reserves					
Called up share capital	14	19,100		19,100	
Profit and loss account	15	(4,336)		(14,294)	
Equity shareholders' funds	20		14,764		4,806

The attached notes form part of these accounts.

The accounts were approved by the board of directors on 14 March 2005

and were signed on its behalf by

DE Lockyer
Director

PJL Foot
Director

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of preparation

The accounts have been prepared under the historical cost convention. The company has adopted FRS17 *Retirement Benefits* in full in the period, and the accounting policy is detailed below. The adoption of FRS17 has resulted in a prior period adjustment, which is described in note 18.

The company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Stead & Simpson Group Limited, and its cash flows are included within the consolidated cash flow statement of that company.

Turnover

Turnover is the amount receivable for goods sold with value added tax excluded. Turnover is derived from the sale of footwear and accessories in the UK.

Cost cut off

In common with most retailers, the company prepares accounts based on its weekly accounting system and selects the nearest period end to its accounting reference date. Periodically, therefore, it has a 53 week accounting period. In such instances, an extra week of direct retail costs is accrued. However some general overheads are treated as annual costs and an entire 12 months' charge is included, irrespective of the length of the accounting period.

Intangible fixed assets (including purchased goodwill)

Intangible fixed assets purchased separately from a business are capitalised at their cost.

The purchase cost is amortised over the useful economic life of the asset between 10 and 20 years.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives.

Shop fronts, fixtures and fittings	10%
Motor vehicles	33%
Warehouse and office equipment	5% - 15%
Computer equipment	14% - 25%

Stocks

Stocks are valued at the lower of cost and estimated net realisable value.

Deferred taxation

The charge/credit for taxation is based on the results for the accounting period and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for taxation and accounting purposes. Net debit balances are recognised as assets only to the extent that they are expected to be recovered without replacement by equivalent debit balances.

Notes *(continued)*

1 Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the rates ruling at the balance sheet date or, where applicable, the contract rate. Resulting exchange gains or losses are taken to the profit and loss account.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

No value has been taken in these accounts of short leasehold properties.

Post retirement benefits

Defined contribution pension schemes

The company operates defined contribution pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds. The amount charged against profits represents the contributions payable to the schemes in respect of the accounting period.

Defined benefit pension scheme

The company also operates a pension scheme providing benefits based on final pensionable pay. The liability to contribute to the scheme in respect of future service was terminated with effect from 31 May 2002. The assets of the scheme are held separately from those of the company, being invested with insurance companies. The assets are measured at market value at each balance sheet date and the liabilities are measured using the projected unit valuation method, discounted using a corporate bond rate. The resulting pension scheme surplus or deficit is recognised immediately on the balance sheet net of deferred taxation and any resulting actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

2 Profit on ordinary activities before taxation

	1 January 2005 £000	3 January 2004 £000
Profit on ordinary activities before taxation is stated after charging/(crediting)		
Auditors' remuneration:		
Audit	**38**	30
Other services	**231**	137
Depreciation of tangible fixed assets	**1,655**	1,494
Amortisation of intangible fixed assets	**58**	42
Exchange gains	**887**	162
Hire of plant and machinery - rentals payable under operating leases	**602**	609
Hire of other assets - operating leases	**17,166**	17,063
Profit on termination of property leases	**(15)**	(9)

Notes *(continued)*

3 Net interest payable and similar charges

	1 January 2005 £000	3 January 2004 £000
Interest payable and similar charges:		
On bank loans and overdrafts	**(436)**	(568)
On all other loans	**(7)**	(73)
Charges payable in respect of finance leases and hire purchase contracts	**(8)**	(10)
Other interest payable	**(7)**	(10)
	(458)	(661)
Interest receivable:		
Short term deposits	**29**	14
	(429)	(647)

4 Remuneration of directors

	1 January 2005 £000	3 January 2004 £000
Directors' emoluments	**1,060**	1,129
Company contributions to money purchase schemes	**83**	78

Included within directors' emoluments are amounts paid to third parties in respect of directors' services of £79,136 *(3 January 2004: £77,854).*

The emoluments of the highest paid director, excluding pension contributions, were £287,000 *(3 January 2004: £325,000)*, and company pension contributions of £27,375 *(3 January 2004: £25,313)* were made to a money purchase scheme on his behalf.

	Number of directors 1 January 2005	3 January 2004
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	7	7

Notes *(continued)*

5 Staff numbers and costs

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

	Number of employees	
	1 January 2005	3 January 2004
Retail and distribution		
- full time	**778**	759
- part time	**2690**	2,676
Administration		
- full time	**46**	42
- part time	**30**	31
	3,544	3,508

The aggregate payroll costs of these persons were as follows:

	1 January 2005 £000	3 January 2004 £000
Wages and salaries	**24,988**	23,282
Social security costs	**1,568**	1,425
Other pension costs	**364**	345
	26,920	25,052

Notes *(continued)*

6 Taxation

Analysis of charge in period

	1 January 2005 £000	3 January 2004 £000
UK corporation tax		
Current tax on income for the period	-	-
Adjustments in respect of prior periods	-	-
Total current tax	-	-
Deferred taxation (credit)/charge	(702)	60
	(702)	60

Factors affecting the tax charge for the current period

The current tax charge for the period is lower than the standard rate of corporation tax in the UK *(30%)*. The differences are explained below.

	1 January 2005 £000	3 January 2004 £000
Current tax reconciliation		
Profit on ordinary activities before tax	9,448	4,954
Current tax at 30%	2,834	1,486
Effects of:		
Difference between book and taxable gains	(20)	(77)
Difference between capital allowances and depreciation	(210)	449
Depreciation on assets not qualifying for capital allowances	2	9
Other non tax deductible expenditure	62	18
Other timing differences	(466)	141
Utilisation of tax losses	(2,119)	(2,001)
Movement in pension deficit	(83)	(25)
Total current tax charge	-	-

Notes *(continued)*

7 Intangible fixed assets

	Goodwill £000	Trademarks £000	Total £000
Cost:			
At 3 January 2004	390	100	490
Acquired during the period	240	-	240
At 1 January 2005	630	100	730
Amortisation:			
At 3 January 2004	97	30	127
Charge for the period	53	5	58
At 1 January 2005	150	35	185
Net book value:			
At 1 January 2005	**480**	**65**	**545**
At 3 January 2004	293	70	363

8 Tangible fixed assets

	Machinery, plant and motor vehicles	Shop equipment, fixtures and fittings	Total
	£000	£000	£000
Cost:			
At 3 January 2004	5,476	21,133	26,609
Additions	515	1,720	2,235
Disposals	-	(50)	(50)
At 1 January 2005	5,991	22,803	28,794
Depreciation:			
At 3 January 2004	3,770	16,073	19,843
Charge for the period	548	1,107	1,655
Disposals	-	(33)	(33)
At 1 January 2005	4,318	17,147	21,465
Net book value:			
At 1 January 2005	**1,673**	**5,656**	**7,329**
At 3 January 2004	1,706	5,060	6,766

Included in the total net book value of machinery, plant and motor vehicles is £144,000 *(3 January 2004: £201,000)* in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the period on these assets was £57,000 (*3 January 2004: £45,000).*

Notes *(continued)*

9 Stocks

Stocks consist of goods for resale and consumables held by the company.

10 Debtors

	1 January 2005 £000	3 January 2004 £000
Trade debtors	994	1,016
Other debtors	96	47
Prepayments and accrued income	6,352	6,435
Amounts due from group undertakings	-	600
Deferred taxation	891	-
	8,333	8,098

It is anticipated that the deferred taxation debtor will be recoverable against taxable profits in the 2005 financial year.

11 Creditors: amounts falling due within one year

	1 January 2005 £000	3 January 2004 £000
Bank overdrafts	5,469	11,369
Obligations under finance leases and hire purchase contracts	56	57
Trade creditors	8,024	8,497
Amounts owed to parent undertaking and fellow subsidiary	2,923	3,911
Corporation tax	-	72
Other creditors including taxation and social security	1,768	1,716
Accruals and deferred income	4,407	4,364
	22,647	29,986

The company operates with a banking facility which is secured by a fixed and floating charge over substantially the whole of the group's assets. In addition unlimited cross guarantees are in existence as security for borrowings of all group companies, together with guarantees from certain related parties as set out in note 21.

Notes *(continued)*

12 Creditors: amounts falling due after more than one year

	1 January 2005 £000	3 January 2004 £000
Term loans	132	176
Amounts owed to parent undertaking	1,700	1,700
Obligations under finance leases and hire purchase contracts	39	95
	1,871	1,971

The term loans are secured by a fixed and floating charge debenture created by Stead & Simpson Group Limited over substantially the whole of the group's assets. They are due for repayment in 2007 and 2008 and rank behind Burdale Financial Limited. Interest accrues at 1.5% above the prevailing base rate.

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	1 January 2005 £000	3 January 2004 £000
Within one year	64	66
In the second to fifth years	45	108
	109	174
Less future finance charges	(14)	(22)
	95	152

13 Deferred tax

The movement in deferred taxation during the period is as follows:

	£000
At start of period	-
Prior period adjustment	(370)
Credit for the period in the profit and loss account	(702)
Credit for the period in the statement of total recognised gains and losses	(83)
At end of period	(1,155)
Included within debtors	(891)
Netted off pension liability	(264)
At end of period	(1,155)

Notes *(continued)*

13 Deferred tax *(continued)*

Deferred taxation provided in the financial statements in the current and previous periods is as follows:

	1 January 2005 £000	3 January 2004 (Restated) £000
Accelerated capital allowances	18	-
Other timing differences	(49)	-
Losses	(860)	-
	(891)	-
Deferred tax on pension liability	(264)	(370)
	(1,155)	(370)

The opening figures have been restated on full adoption of FRS 17 (see note 18).

14 Called up share capital

	1 January 2005 £000	3 January 2004 £000
Authorised		
1,600,000 ordinary shares of 25p each	400	400
56,200,000 'A' ordinary shares of 25p each	14,050	14,050
19,000,000 unclassified shares of 25p each	4,750	4,750
	19,200	19,200
Allotted, called up and fully paid		
1,600,000 ordinary shares of 25p each	400	400
56,200,000 'A' ordinary shares of 25p each	14,050	14,050
18,600,000 unclassified shares of 25p each	4,650	4,650
	19,100	19,100

15 Reserves

	Profit and loss account £000
At beginning of period (as previously stated)	(13,429)
Prior period adjustment (note 18)	(865)
As restated	(14,294)
Retained profit for the period	10,150
Movement of actuarial loss recognised in pension scheme, net of deferred tax	(192)
At end of period	(4,336)

Notes *(continued)*

16 Commitments

(i) There were no capital commitments at the end of the current or preceding financial period.

(ii) Annual commitments under non-cancellable operating leases are as follows:

	1 January 2005		3 January 2004	
	Land and buildings	**Other**	Land and buildings	Other
	£000	**£000**	£000	£000
Operating leases which expire:				
Within one year	**1,456**	**112**	991	91
In the second to fifth years inclusive	**3,532**	**352**	3,658	374
Over five years	**14,184**	**-**	14,082	-
	19,172	**464**	18,731	465

17 Contingent liabilities

The company has given unlimited guarantees in respect of the borrowings of certain group companies under the terms of a composite accounting agreement with Burdale Financial Limited.

18 Pensions

The company operates two pension schemes on behalf of its permanent full time employees, namely a defined benefit scheme and a group defined contribution scheme. It also contributes to a number of individual defined contribution arrangements for certain members of senior management.

Final salary arrangement

The company terminated its liability to contribute to the defined benefit scheme ("the Scheme") in respect of future service with effect from 31 May 2002. The Scheme had been closed to new members since 2 June 1998. The Scheme continues to operate on a paid up basis at present.

The Scheme's funds are administered by trustees and are independent of the company's finances. The latest full Actuarial Valuation of the scheme was carried out by an independent actuary as at 1 June 2002, following the decision to terminate the accrual of future benefits. This valuation was updated with an effective date of 1 June 2004.

Defined benefit arrangements

The actuarial valuation as at 1 June 2004 has been updated to 1 January 2005 for the purposes of Financial Reporting Standard 17 *Retirement Benefits* by a qualified independent actuary.

Notes *(continued)*

18 Pensions *(continued)*

Prior period adjustment

The company has adopted FRS 17 *Retirement Benefits* early, in the period which requires the assets of the defined benefit scheme to be included within the balance sheet together with the related liabilities. Full compliance with FRS17 has necessitated a prior period adjustment. The impact of adopting FRS17 has been to reduce net assets by £985,000 (*3 January 2004: £969,000*) creating a finance charge of £29,000 (*3 January 2004: £56,000*), decreasing administrative expenses by £150,000 (*3 January 2004: £255,000*) resulting in an overall increase in profit before tax of £121,000 (*3 January 2004: £199,000*).

In addition, the scheme's deficit at 1 January 2005 of £615,000 (*3 January 2004 £865,000*) after related deferred tax assets of £264,000 (*3 January 2004: £370,000*) is shown in the balance sheet as 'net pension liability'. Under the previous standard (statement of Standard Accounting Practice 24), a prepayment of pension contributions of approximately £370,000 would have been reported.

The major assumptions used in this valuation were:

		Financial period	
	2004	2003	2002
Rate of increase in pensionable salaries	**Not applicable**	Not applicable	Not applicable
Rate of increase in pensions in payment (LPI)	**2.65%**	2.75%	2.50%
Discount rate	**5.25%**	5.50%	5.50%
Inflation assumption	**2.75%**	2.75%	2.50%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Notes *(continued)*

18 Pensions *(continued)*

Scheme assets

The scheme's assets held at fair value, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which is derived from cash flow projections over long periods and thus inherently uncertain, were:

	Long term rate of return expected 1 January 2005	**Value at 1 January 2005**	Long term rate of return expected 3 January 2004	Value at 3 January 2004	Long term rate of return expected 4 January 2003	Value at 4 January 2003
	%	**£000**	%	£000	%	£000
Equities and property	**6.75%**	**4,108**	7.00%	3,994	7.00%	3,573
Long dated gilts	**4.50%**	**4,340**	4.80%	3,940	4.50%	3,763
Corporate Bonds	**5.25%**	**439**	5.50%	276	3.50%	17
Insured Annuities	**5.25%**	**145**	5.50%	148	5.50%	153
Net current assets	**4.75%**	**368**				
Total market value of assets		**9,400**		8,358		7,506
Present value of liabilities		**(10,279)**		(9,593)		(8,856)
Deficit in scheme		**(879)**		(1,235)		(1,350)
Related deferred tax asset		**264**		370		405
Net pension liability		**(615)**		(865)		(945)

Set out below is the impact on other financial statement disclosures following the adoption of FRS 17.

Analysis of amount credited to operating profit

	1 January 2005 £000	3 January 2004 £000
Current service cost (net of employee contributions)	-	-
Past service cost	-	-
Total operating credit	-	-

Notes *(continued)*

18 Pensions *(continued)*

Movement in deficit during period

	1 January 2005 £000	3 January 2004 £000
Deficit in scheme at beginning of period	(1,235)	(1,350)
Movement:		
Current service cost	-	-
Employer contributions	660	255
Other financial charge	(29)	(56)
Actuarial loss	(275)	(84)
Deficit in scheme at end of period	(879)	(1,235)

Other financial charge

	1 January 2005 £000	3 January 2004 £000
Expected return on pension scheme assets	489	421
Interest on pension scheme liabilities	(518)	(477)
Net return	(29)	(56)

Analysis of amount in statement of total recognised gains and losses

	1 January 2005 £000	3 January 2004 £000
Actual return less expected return on scheme assets	231	553
Experience gains and losses arising on liabilities	47	-
Change in assumptions underlying present value of liabilities	(553)	(637)
Actuarial loss recognised in statement of total recognised gains and losses	(275)	(84)

Notes *(continued)*

18 Pensions *(continued)*

History of experience gains and losses

	1 January 2005	3 January 2004	4 January 2003
Differences between actual and expected return on scheme assets:			
Amount (£000)	**231**	553	(1,126)
Percentage of scheme assets	**2.5%**	6.6%	(15.0%)
Experience gains and losses on liabilities:			
Amount (£000)	**47**	-	7
Percentage of scheme liabilities	**0.5%**	-	0.1%
Total amount recognised in statement of total recognised gains and losses:			
Amount (£000)	**(275)**	(84)	(1,488)
Percentage of scheme liabilities	**(2.7%)**	(0.9%)	(16.8%)

Defined contributions arrangements

On 1 January 1999, a new Group Personal Pension Scheme was opened in place of the defined benefit scheme. Contributions into this scheme were £308,000 *(2004: £347,000)*.

The company also contributes to individual defined contribution arrangements on behalf of four employees. The pension charge arising was £56,000 *(2004: £52,000)*.

19 Ultimate holding company

The immediate holding company is Stead & Simpson Group Limited, registered and incorporated in England and Wales. The consolidated accounts are available from the Registrar of Companies.

Notes *(continued)*

20 Reconciliation of movements in shareholders' funds

	1 January 2005 £000	3 January 2004 £000
Profit for the period	**10,150**	4,894
Movement in actuarial loss recognised in pension scheme net of deferred tax	**(192)**	(59)
Net additions to shareholders' funds	**9,958**	4,835
Opening shareholders' funds as restated	**4,806**	(29)
Closing shareholders' funds	**14,764**	4,806

Opening shareholders' funds at 3 January 2004 as previously reported amounted to £5,671,000 (*4 January 2003: £916,000*) before the prior period adjustments of £865,000 (*4 January 2003: £945,000*) on adoption of FRS 17 (see note 18).

21 Related party transactions

In accordance with FRS 8, the following disclosure relates to related party transactions during the period.

Related party	**Relationship to company**	**Guarantees given £000**	Term loans *Beginning of period* **£000**	*Interest charged* **£000**	*Interest paid* **£000**	*End of period* **£000**
Development Securities plc	Shareholder	**1,935**	**43**	**-**	**(43)**	**-**
JHS Consultants Limited	*	**-**	**82**	**4**	**(5)**	**81**
JH Shannon	Director	**180**	**-**	**-**	**-**	**-**
DE Lockyer	Director	**50**	**51**	**3**	**(3)**	**51**

* JH Shannon is a director and majority shareholder of JHS Consultants Limited.

Under FRS 8, the company is exempt from the requirement to disclose related party transactions with the Stead & Simpson Group Limited on the grounds that it is a wholly owned subsidiary undertaking of that company.