

Stead & Simpson Limited

**Directors' report and financial
statements**

Registered number 29468

30 December 2000



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Directors' report

The directors present their annual report and the audited financial statements for the period ended 30 December 2000.

Principal activities

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

Business review

A full review of the business is given in the accounts of Stead & Simpson Group Limited, the company's parent company.

Directors and directors' interests

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

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

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

| | 30 December 2000 | 1 January 2000 |
|------------|---------------------|-------------------|
| AJ Smith | 8,518 | 8,518 |
| P Millward | 10,777 | 10,777 |
| R Parr | 15,483 | 15,483 |
| V Woodland | 19,185 | 19,185 |

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 as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



P.J.L. 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 the group 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 group 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 group and to prevent and detect fraud and other irregularities.



1 Waterloo Way
Leicester
LE1 6LP

Auditors' report to the members of Stead & Simpson Limited

We have audited the financial statements on pages 5 to 18.

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. 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 30 December 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants
Registered Auditors

11 June 2001.

Profit and loss account

for the 52 week period ended 30 December 2000

| | Note | 30 December 2000 £000 | 1 January 2000 as restated £000 |
|---|------|--------------------------|------------------------------------|
| Turnover | | 114,991 | 108,544 |
| Cost of sales | | (107,564) | (100,120) |
| Gross profit | | 7,427 | 8,424 |
| Distribution costs | | (4,286) | (3,508) |
| Administrative expenses | | (5,748) | (825) |
| Commission and rents receivable | | 2,581 | 2,196 |
| | | (7,453) | (2,137) |
| Operating profit | | (26) | 6,287 |
| Net interest payable | 3 | (1,234) | (1,179) |
| (Loss)/Profit on ordinary activities before taxation | 2 | (1,260) | 5,108 |
| Taxation | 6 | - | - |
| Retained(loss)/profit for the year | 15 | (1,260) | 5,108 |

All amounts are derived from continuing activities.

The attached notes form part of these accounts.

The comparative figures have been restated following a change in accounting policy (as explained in note 1).

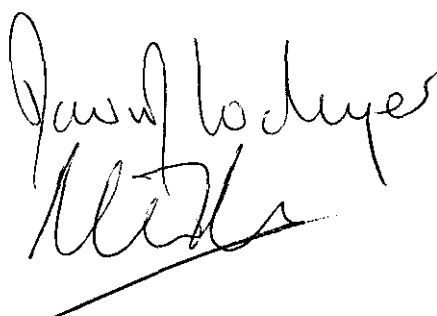
Balance sheet
at 30 December 2000

| | Note | 30 December 2000 | | 1 January 2000 as restated | |
|--|------|------------------|--------------|----------------------------|--------------|
| | | £000 | £000 | £000 | £000 |
| Fixed assets | | | | | |
| Intangible assets | 7 | | 85 | | 90 |
| Tangible assets | 8 | | 6,550 | | 6,240 |
| | | | <u>6,635</u> | | <u>6,330</u> |
| Current assets | | | | | |
| Stock | 9 | 21,317 | | 21,786 | |
| Debtors | 10 | 7,428 | | 8,055 | |
| Cash at bank and in hand | | 756 | | 398 | |
| | | <u>29,501</u> | | <u>30,239</u> | |
| Creditors: Amounts falling due within one year | 11 | (33,375) | | (32,514) | |
| | | <u></u> | | <u></u> | |
| Net current liabilities | | | (3,874) | | (2,275) |
| | | | <u></u> | | <u></u> |
| Total assets less current liabilities | | | 2,761 | | 4,055 |
| | | | <u></u> | | <u></u> |
| Creditors: Amounts falling due after more than one year | 12 | | 4,703 | | 4,737 |
| Capital and reserves | | | | | |
| Called up share capital | 14 | 19,100 | | 19,100 | |
| Profit and loss account | 15 | (21,042) | | (19,782) | |
| | | <u></u> | | <u></u> | |
| Shareholders' funds | 20 | | (1,942) | | (682) |
| | | | <u>2,761</u> | | <u>4,055</u> |

The attached notes form part of these accounts.

The accounts were approved by the Board on 27 March 2001

D Lockyer
Director



PJL Foot
Director

Statement of total recognised gains and losses
for the 52 week period ended 30 December 2000

| | 30 December 2000 £000 | 1 January 2000 £000 |
|--|-----------------------------|---------------------------|
| (Loss)/profit for the financial period | (1,260) | 5,108 |
| Total recognised gains and losses relating to the period | (1,260) | 5,108 |
| Prior year adjustment (as explained in note 1) | 204 | - |
| Total gains and losses recognised since last annual report | (1,056) | 5,108 |

Notes

(forming part of the financial statements)

1 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.

Accounting convention

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Financial statements in prior years reflected the revaluation of certain assets. Under the transitional rules of FRS15, these assets have been restated to historical cost as a change in accounting policy. If the assets had continued to be included at the revalued amount, net assets at 30 December 2000 would have been £1,019,000 higher. The effect is to improve the result for both the 1999 and 2000 financial years by £204,000.

These financial statements are also prepared on a going concern basis which assumes the company will continue to trade. The validity of this assumption is dependent upon continuing financial support which the holding company has undertaken to provide and which in the opinion of the directors is adequate for the purposes of the trade. If the company were unable to continue to trade, adjustments would have to be made to reduce the value of assets to their recoverable amount, to provide for any further liabilities that might arise and to reclassify fixed assets as current assets.

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; value added tax is excluded. Turnover is derived substantially from the sale of footwear and accessories in the UK.

Intangible fixed assets and amortisation

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, 20 years.

Fixed assets and depreciation

It is the company's policy to depreciate the fixed assets evenly over their expected normal lives at the following principal rates:

| | |
|------------------------------------|-----------|
| Shop fronts, fixtures and fittings | 10% |
| Motor vans | 25% |
| Motor cars | 30% |
| Warehouse and office equipment | 5% - 15% |
| Computer equipment | 14% - 25% |

Additional depreciation has been applied on shop fronts, fixtures and fittings in cases where the shop fitting out programmes have been advanced.

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. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise. 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. 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 assets of the scheme are held separately from those of the company, being invested with insurance companies. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

2 (Loss)/profit on ordinary activities before taxation

| | 30 December 2000 £000 | 1 January 2000 as restated £000 |
|---|-----------------------------|---------------------------------------|
| <i>Profit on ordinary activities before taxation is stated after charging/(crediting)</i> | | |
| Auditors' remuneration: | | |
| Audit | 26 | 30 |
| Other services | 8 | 15 |
| Depreciation of tangible fixed assets | 1,203 | 1,018 |
| Exchange gains | 260 | 425 |
| Hire of plant and machinery - rentals payable under operating leases | 627 | 574 |
| Hire of other assets - operating leases | 17,087 | 17,014 |
| Waiver of intra-group debt | - | (4,090) |
| Profit on termination of property leases | 72 | (269) |
| | <hr/> | <hr/> |

Notes (continued)

3 Net interest payable

| | 30 December 2000 £000 | 1 January 2000 £000 |
|--|-----------------------------|---------------------------|
| Interest payable and similar charges: | | |
| On bank loans and overdrafts | (1,062) | (866) |
| On all other loans | (79) | (146) |
| Charges payable in respect of finance leases and hire purchase contracts | (42) | (41) |
| Other interest payable | (22) | (18) |
| On intercompany loans | (63) | (116) |
| | <u>(1,268)</u> | <u>(1,187)</u> |
| Interest receivable: | | |
| Short term deposits | 34 | 8 |
| | <u>(1,234)</u> | <u>(1,179)</u> |

4 Remuneration of directors

| | 30 December 2000 | 1 January 2000 £000 |
|---|---------------------|---------------------------|
| Directors' emoluments | 622 | 564 |
| Company contributions to money purchase schemes | 26 | 24 |

Included within directors' emoluments are amounts paid to third parties in respect of directors' services of £73,750 (1 January 2000 : £42,875).

The emoluments of the highest paid director, excluding pension contributions, were £127,538 (1 January 2000 : £115,792), and company pension contributions of £18,000 (2 January 2000 : £16,250) were made on his behalf.

| | Number of directors | |
|--|---------------------|-------------------|
| | 30 December 2000 | 1 January 2000 |
| Retirement benefits are accruing to the following number of directors under: | | |
| Money purchase schemes | 2 | 2 |
| Defined benefit schemes | 5 | 5 |

Notes (continued)

5 Staff numbers and costs

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

| | 30 December 2000 | 1 January 2000 |
|-------------------------|---------------------|-------------------|
| | Number of employees | |
| Retail and distribution | | |
| - full time | 813 | 712 |
| - part time | 3,302 | 3,303 |
| Administration | 89 | 54 |
| | <hr/> | <hr/> |
| | 4,204 | 4,069 |
| | <hr/> | <hr/> |

The aggregate payroll costs of these persons were as follows:

| | 30 December 2000 £000 | 1 January 2000 £000 |
|-----------------------|-----------------------------|---------------------------|
| Wages and salaries | 21,305 | 20,024 |
| Social security costs | 1,163 | 1,110 |
| Other pension costs | 340 | 281 |
| | <hr/> | <hr/> |
| | 22,808 | 21,415 |
| | <hr/> | <hr/> |

6 Taxation

There is no tax charge for the period, due to the availability of losses brought forward.

Notes *(continued)*

7 Intangible fixed asset

| | £000 |
|--|-------|
| Cost: | |
| At 1 January 2000 and 30 December 2000 | 100 |
| | <hr/> |
| Amortisation: | |
| At 1 January 2000 | 10 |
| Charged for the period | 5 |
| | <hr/> |
| At 30 December 2000 | 15 |
| | <hr/> |
| Net book value: | |
| At 30 December 2000 | 85 |
| | <hr/> |
| At 1 January 2000 | 90 |
| | <hr/> |

Notes (continued)

8 Tangible fixed assets

| | Machinery, plant and motor vehicles £000 | Shop equipment fixtures and fittings £000 | Total £000 |
|--|--|---|---------------|
| Cost or valuation: | | | |
| At 1 January 2000 as previously stated | 3,891 | 18,631 | 22,522 |
| Prior year adjustment (as explained in note 1) | - | (1,427) | (1,427) |
| At 1 January 2000 as restated | 3,891 | 17,204 | 21,095 |
| Additions | 335 | 1,178 | 1,513 |
| At 30 December 2000 | 4,226 | 18,382 | 22,608 |
| Depreciation: | | | |
| At 1 January 2000 as previously stated | 2,112 | 12,947 | 15,059 |
| Prior year adjustment (as explained in note 1) | - | (204) | (204) |
| At 1 January 2000 as restated | 2,112 | 12,743 | 14,855 |
| Charge for the period | 450 | 753 | 1,203 |
| At 30 December 2000 | 2,562 | 13,496 | 16,058 |
| Net book value: | | | |
| At 30 December 2000 | 1,664 | 4,886 | 6,550 |
| At 1 January 2000 as restated | 1,779 | 4,461 | 6,240 |

Included in the total net book value of machinery, plant and motor vehicles is £244,000 (1 January 2000 : £363,000) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £190,000 (1 January 2000 : £181,000).

Notes (continued)

9 Stocks

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

10 Debtors

| | 30 December 2000 £000 | 1 January 2000 £000 |
|-------------------------------------|-----------------------------|---------------------------|
| Trade debtors | 787 | 789 |
| Other debtors | 105 | 401 |
| Prepayments | 5,693 | 6,022 |
| Amounts due from group undertakings | 843 | 843 |
| | <u>7,428</u> | <u>8,055</u> |

11 Creditors: amounts falling due within one year

| | 30 December 2000 £000 | 1 January 2000 £000 |
|--|-----------------------------|---------------------------|
| Bank overdrafts | 14,561 | 12,285 |
| Obligations under finance leases and hire purchase contracts | 176 | 224 |
| Trade creditors | 9,204 | 10,357 |
| Amounts owed to parent undertaking | 4,968 | 4,883 |
| Other creditors including taxation and social security | 1,034 | 1,568 |
| Accruals and deferred income | 3,432 | 3,197 |
| | <u>33,375</u> | <u>32,514</u> |

The banking facilities are secured by a fixed and floating charge over substantially the whole of the company's assets.

Notes *(continued)*

12 Creditors: amounts falling due after more than one year

| | 30 December 2000 £000 | 1 January 2000 £000 |
|--|-----------------------------|---------------------------|
| Term loans | 2,985 | 2,842 |
| Amounts owed to parent undertaking | 1,700 | 1,700 |
| Obligations under finance leases and hire purchase contracts | 18 | 195 |
| | <u>4,703</u> | <u>4,737</u> |

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. There are no fixed repayment terms and these rank behind Burdale Financial Limited. Interest accrues at 1.5% above the prevailing base rate and is payable on repayment of the loan. However, the loan holders have waived interest after 30 June 2000.

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

| | 30 December 2000 £000 | 1 January 2000 £000 |
|------------------------------|-----------------------------|---------------------------|
| Within one year | 205 | 265 |
| In the second to fifth years | 23 | 228 |
| | <u>228</u> | <u>493</u> |
| Less future finance charges | (34) | (74) |
| | <u>194</u> | <u>419</u> |

Notes (continued)

13 Provisions for liabilities and charges

The unprovided deferred tax asset at 30 December 2000 was approximately £6 million (*1 January 2000 : £4.8 million*).

14 Called up share capital

| | 30 December 2000 £000 | 1 January 2000 £000 |
|--|-----------------------------|---------------------------|
| <i>Authorised</i> | | |
| 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 |
| | <hr/> | <hr/> |
| | 19,200 | 19,200 |
| | <hr/> | <hr/> |
| <i>Allotted, called up and fully paid</i> | | |
| 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 |
| | <hr/> | <hr/> |
| | 19,100 | 19,100 |
| | <hr/> | <hr/> |

15 Reserves

| | Revaluation Reserve £000 | Profit and loss account £000 |
|--|--------------------------------|------------------------------------|
| At beginning of period as previously stated | 1,223 | (19,782) |
| Prior year adjustment (as explained in note 1) | (1,223) | - |
| | <hr/> | <hr/> |
| At beginning of year as restated | - | (19,782) |
| Retained loss for period | - | (1,260) |
| | <hr/> | <hr/> |
| At end of period | - | (21,042) |
| | <hr/> | <hr/> |

Notes (continued)

16 Commitments

- (i) There were no capital commitments at the end of the financial year.
- (ii) Annual commitments under non-cancellable operating leases are as follows:

| | 30 December 2000 | | 1 January 2000 | |
|--|-------------------------------|---------------|-------------------------------|---------------|
| | Land and buildings £000 | Other £000 | Land and buildings £000 | Other £000 |
| Operating leases which expire: | | | | |
| Within one year | 759 | 150 | 824 | 83 |
| In the second to fifth years inclusive | 3,246 | 365 | 2,750 | 419 |
| Over five years | 14,790 | - | 14,732 | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 18,795 | 515 | 18,306 | 502 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

17 Contingent liabilities

At 30 December 2000 the company had 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 the pension schemes on behalf of its permanent full time employees, namely a defined benefit scheme and a grouped defined contribution scheme. It also contributes to a number of individual defined contribution arrangement for certain senior management.

The defined benefit scheme's funds are administered by trustees and are independent of the company's finances. An Actuarial Valuation of the scheme at 1 June 2000, carried out by independent actuaries, is currently being finalised. Preliminary indications are that the funding level at that date was 11%.

The main assumptions in the draft Actuarial Valuation are that the rate of investment returns would exceed the salary inflation by 2% and future pension increases by 3.5% per annum. At the date of valuation, scheme assets are valued at £8,766,000.

Variations from the regular pension costs are currently being spread over the estimated average service lives of the employees, which is 13 years. The pension charge for the period was £236,000 (1999: £195,000).

On 2 June 1998 the defined benefit scheme was closed to new entrants. On 1 January 1999 a new Grouped Personal Pension Scheme was opened in its place. Contributions into the scheme were £65,000 (1999: £53,000).

The company also contributes to individual defined contribution arrangements on behalf of five employees. The pension charge arising was £39,000 (1999: £33,000).

Notes (continued)

19 Ultimate holding company

The ultimate holding company is Stead & Simpson Group Limited, registered and incorporated in England and Wales.

20 Reconciliation of movements in shareholders' funds

| | 30 December 2000 £000 | 1 January 2000 as restated £000 |
|------------------------------|-----------------------------|---------------------------------------|
| (Loss)/profit for the period | (1,260) | 5,108 |
| Opening shareholders' funds | (682) | (5,790) |
| Closing shareholders' funds | <u>(1,942)</u> | <u>(682)</u> |

Shareholders' funds at 1 January 2000 were originally £541,000, before deduction of the prior year adjustment of £1,223,000.

21 Related party transactions

In accordance with FRS8, the following disclosure relates to related party transactions during the period.

| Related party | Relationship to group | Term loans £000 | Guarantees given £000 |
|-------------------------------------|--------------------------|-----------------------|-----------------------------|
| Development Securities plc | Shareholder | 1,000 | 1,935 |
| Apax Partners & Co Ventures Limited | Shareholder | 1,000 | 1,185 |
| JHS Consultants Limited | * | 80 | - |
| JH Shannon | Director | - | 180 |
| DE Lockyer | Director | 50 | 50 |

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

Under FRS8 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 and subsidiary undertaking of Stead & Simpson Group Limited.