

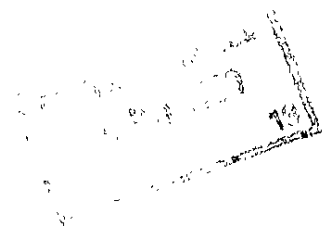
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STEAD & SIMPSON LIMITED

(FORMERLY STEAD & SIMPSON plc)

REPORT AND ACCOUNTS

31 DECEMBER 1989



STEAD & SIMPSON LIMITED

CHAIRMAN

B R BURLINGTON

DIRECTORS

P P S GEE
R T E WARE
D MACNALLY
M J BRAYSHAW
J R WHYLE
P L ALLSOPP

SECRETARY

M J BRAYSHAW

REGISTERED OFFICE

FOSSE WAY
SYSTON
LEICESTER

AUDITORS

KPMG PEAT MARWICK McLEINTOCK
CHARTERED ACCOUNTANTS
ARLEN HOUSE
SALISBURY ROAD
LEICESTER
LE1 7QS

STEAD & SIMPSON LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited accounts for the period ended 31 December 1989.

Principal activities

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

Business review

During the course of the year, the directors recommended to shareholders the acceptance of the terms of a renewed offer from Clayform Properties PLC. Control of the company passed to Clayform in September 1989.

In accordance with the new group accounting policy, the financial year end has now become 31 December. Additionally with effect from 7 February 1990, the company re-registered as a Limited company.

Despite difficult trading conditions experienced by all retailers in the latter part of the year, footwear retailing margins continued to improve. The high rental values that a number of the prime freehold properties now command caused the company to carry out a full review of their viability for footwear retailing. As a result about thirty branches are to be re-let to other retailers, improving group profitability.

The company is continuing to open new branches, targetting edge of city and market town locations.

Directors

The directors at the date of this report are as shown on page 1.

Mr W R F Chamberlain and Mr J I Mitchell resigned on 4 September 1989 and were replaced by Mr B R Burlington and Mr R T E Ware. Mr S J Harvey resigned on 19 October 1989 and was replaced by Mr M J Brayshaw.

The directors retiring by rotation are Mr J R Whyte and Mr D Macnally who, being eligible, offer themselves for re-election.

Directors' interest in shares

Messrs Burlington, Ware and Gee are directors of the holding company Clayform Properties PLC., and their interests in the shares of that company are disclosed in the directors' report of Clayform Properties PLC.

STEAD & SIMPSON LIMITED

DIRECTORS' REPORT - continued

The interests of the other directors in the shares of the holding company were as follows:

	Number of shares as at 31 December 1989 -----
D Macnally	22,005
M J Brayshaw	10,000
J R Whyte	5,611
P L Ailsopp	2,463

In addition M J Brayshaw holds 20,000 options in the holding company's 1985 Share Option Scheme at £2.92 per share exercisable between 12 May 1991 and 11 May 1998.

Fixed assets

Movements in fixed assets are shown in note 9 to the accounts.

Employees

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

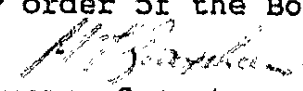
Our works committees and company circulars have been supplemented as sources of information by regular regional meetings for management and staff, and our training this year has been specifically targeted at developing involvement and commitment by improving briefing of staff within each branch.

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.

Auditors

On 1 January 1990 our auditors changed the name under which they practise to KPMG Peat Marwick McLintock and accordingly have signed their report in their new name. In accordance with Section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG Peat Marwick McLintock as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board


Company Secretary

REPORT OF THE AUDITORS TO THE MEMBERS OF
STEAD & SIMPSON LIMITED

We have audited the accounts on pages 5 to 19 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31 December 1989 and of its profit and source and application of funds for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

LEICESTER

KPMG Peat Marwick McLintock

KPMG PEAT MARWICK McLINTOCK

1 March 1990

Chartered Accountants

STEAD & SIMPSON LIMITED

PROFIT AND LOSS ACCOUNT

For the 9 months ended 31 December 1989

		<u>31 December 1989</u>		<u>31 March 1989</u> <u>(12 Months)</u>	
	<u>Note</u>	<u>£</u> <u>000</u>	<u>£</u> <u>000</u>	<u>£</u> <u>000</u>	<u>£</u> <u>000</u>
Turnover			42,762		50,322
Cost of sales			34,632		41,409
			-----		-----
GROSS PROFIT			8,130		8,913
Distribution costs		1,491		1,904	
Administrative expenses		1,358		1,492	
Rents received		(723)		(687)	
			2,126		2,709
			-----		-----
TRADING PROFIT	2		6,004		6,204
Net Interest receivable	3		224		288
Dividends received			3,548		525
			-----		-----
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			9,776		7,017
Taxation charge	6		(2,197)		(2,395)
			-----		-----
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			7,579		4,622
Extraordinary items	7		1,250		2,467
			-----		-----
PROFIT FOR THE FINANCIAL PERIOD			8,829		7,089
Dividends	8		(3,468)		(3,237)
			-----		-----
Retained profit for the period			5,361		3,852
Retained profit brought forward (as restated)	17		26,876		22,538
			-----		-----
Retained profit carried forward			32,237		26,390
			=====		=====

The attached notes form part of these accounts.

STEAD & SIMPSON LIMITED

BALANCE SHEET

As at 31 December 1989

	Note	<u>31 December 1989</u>		<u>31 March 1989</u>	
		£ 000	£ 000	£ 000	£ 000
FIXED ASSETS					
Tangible Assets	9	113,336		111,864	
Investments	10	182		217	
		-----		-----	
CURRENT ASSETS			113,518		112,081
Stock		9,916		11,573	
Debtors	11	7,314		3,293	
Cash at bank & in hand		385		1,086	
		-----		-----	
		17,615		15,952	
CREDITORS: Amounts falling due within one year					
Bank overdraft		-		137	
Others	12	4,945		7,127	
		-----		-----	
		4,945		7,264	
NET CURRENT ASSETS			12,670		8,688
			-----		-----
TOTAL ASSETS LESS CURRENT LIABILITIES			126,188		120,769
CREDITORS: Amounts falling due after more than one year					
	13		-		300
			-----		-----
			126,188		120,469
PROVISION FOR DEFERRED TAXATION	14		905		192
			-----		-----
			125,283		120,277
			=====		=====
CAPITAL AND RESERVES					
Share capital	15		14,450		14,450
Revaluation reserve	16		78,596		79,437
Profit & loss account	16		32,237		26,390
			-----		-----
			125,283		120,277
			=====		=====

The accounts were approved by the board on 1 March 1990.

DIRECTOR *RTF Hare*

DIRECTOR *[Signature]*

The attached notes form part of these accounts.

STEAD & SIMPSON LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the 9 months ended 31 December 1989

	<u>31 December 1989</u>		<u>31 March 1989</u> (12 Months)	
	<u>£</u> 000	<u>£</u> 000	<u>£</u> 000	<u>£</u> 000
SOURCE OF FUNDS				
Profit on ordinary activities before taxation		9,776		7,017
Extraordinary items before taxation		759		2,079
Adjustments for items not involving the movement of funds:				
Depreciation	2,553		1,475	
Profit on sale of fixed assets	(2,803)		(3,218)	
Redemption of own debentures	35	(215)	-	(1,743)
TOTAL FUNDS GENERATED FROM OPERATION		10,320		7,353
FUNDS FROM OTHER SOURCES				
Sale of fixed assets	3,034		3,368	
Increase in creditors falling due after more than one year	-		6	
		3,034		3,374
		13,354		10,727
APPLICATION OF FUNDS				
Purchase of fixed assets	5,097		4,867	
Redemption of debentures	300		-	
Taxation paid	3,064		930	
Dividends paid	5,722		2,833	
		14,183		8,630
NET (OUTFLOW)/INFLOW OF FUNDS		(829)		2,097
(DECREASE)/INCREASE IN WORKING CAPITAL				
Stock	(1,657)		231	
Debtors	3,273		477	
Creditors falling due within one year	(1,881)		790	
Movement in liquid funds				
Cash at bank and in hand	(701)		599	
Bank overdraft	137		-	
		(829)		2,097

STEAD & SIMPSON LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

(a) Accounting convention

The accounts on pages 5 to 19 are prepared under the historical cost convention modified to include the revaluation of properties.

(b) Turnover

Turnover is the amount receivable for goods sold and services provided; value added tax is excluded.

(c) Depreciation

The company does not depreciate freehold and leasehold buildings for the following reasons:

The December 1989 property valuation referred to in note 9 shows a surplus of £930,000 over the book value.

The buildings are regularly maintained to a good standard which substantially prolongs their useful life and any depreciation involved would not be material.

It is the group's policy to depreciate the remainder of the fixed assets evenly over their expected normal life at the following principal rates:

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

During the period shop front, fixtures and fittings depreciation has been standardised at 10%, giving rise to a one-off charge of £227,000.

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

Although existing shop fronts will be depreciated year by year, no tax relief will be obtained during the life of these assets to offset this depreciation. Tax relief will however be obtained on expenditure on the replacement of shop fronts.

(d) Profit on sale of properties

The profits arising on property sales are calculated on original cost values, and in accordance with group policy are included in extraordinary items. In previous years they were included in profit on ordinary activities and the comparative figures have been changed accordingly.

(e) Stocks

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

(f) Deferred taxation

Provision is made for taxation deferred by accelerated capital allowances under the liability method to the extent that there is a reasonable probability that such taxation will become payable in the foreseeable future.

No provision is made for taxation deferred by rollover or holdover relief on capital gains arising from disposals of fixed assets, which deferrals are expected with reasonable probability to continue for some considerable period in the future, nor is provision made for the potential capital gains tax liability which would arise on the disposal of properties at their book values.

(g) Leasing commitments

The rental costs of all assets subject to operating leases are charged in the profit and loss account as incurred.

STEAD & SIMPSON LIMITED

NOTES TO THE ACCOUNTS - continued

2. TRADING PROFIT

This is stated after charging the following:

	<u>31 December 1989</u>	<u>31 March 1989</u>
	<u>£</u>	<u>£</u>
	000	000
Rental of premises	3,241	3,621
Depreciation	1,580	1,476
Auditors' remuneration	30	27
Directors' emoluments		
(see note 4)		
- as directors	-	30
- as executives	236	451
Compensation for loss of office	138	-
	=====	=====

3. NET INTEREST RECEIVABLE/(PAYABLE)

	<u>31 December 1989</u>	<u>31 March 1989</u>
	<u>£</u>	<u>£</u>
	000	000
Bank overdraft and short term loans	(68)	(27)
Debenture interest	(8)	(13)
Short term deposits	60	131
Capitalised interest	80	103
Interest from subsidiaries	160	94
	-----	-----
	224	288
	=====	=====

4. DIRECTORS REMUNERATION

The remuneration of the directors, excluding pension contributions is analysed:

	<u>31 December 1989</u>	<u>31 March 1989</u>
	<u>£</u>	<u>£</u>
	000	000
Chairman	-	20
Highest paid director	62	115
	===	===

• STEAD & SIMPSON LIMITED

NOTES ON THE ACCOUNTS - continued

Number of other directors receiving:

	<u>31 December 1989</u>	<u>31 March 1989</u>
	<u>NUMBER</u>	<u>NUMBER</u>
£ 0 - £ 5,000	2	-
£ 5,001 - £10,000	2	-
£35,001 - £40,000	1	-
£40,001 - £45,000	2	-
£45,001 - £50,000	1	-
£50,001 - £55,000	-	-
£60,001 - £65,000	-	2
£75,001 - £80,000	-	2
		1

Other employees earned emoluments in the following scales:

	<u>31 December 1989</u>	<u>31 March 1989</u>
	<u>NUMBER</u>	<u>NUMBER</u>
£20,001 - £25,000	1	-
£25,001 - £30,000	1	-
£35,001 - £40,000	-	1
£40,001 - £45,000	-	1

5. STAFF NUMBERS AND COSTS

The average number of persons employed by the company (including directors) during the period was 2491 (31 March 1989: 2536) including 1979 (31 March 1989: 1750) part-time employees.

The aggregate payroll costs of these persons was as follows:

	<u>31 December 1989</u>	<u>31 March 1989</u>
	<u>£</u>	<u>£</u>
	<u>000</u>	<u>000</u>
Wages and salaries	6,212	7,616
Social security costs	393	491
Pension costs	92	177
	-----	-----
	6,697	8,284
	=====	=====

STEAD & SIMPSON LIMITEDNOTES TO THE ACCOUNTS - continued

6. TAXATION	<u>31 December 1989</u>	<u>31 March 1989</u>
	<u>£</u>	<u>£</u>
	000	000
Based on the profits of the period		
UK Corporation tax	2,228	2,387
Adjustment in respect of previous years	(30)	(2)
Deferred taxation	(1)	10
	-----	-----
	2,197	2,395
	=====	=====

7. EXTRAORDINARY ITEMS	<u>31 December 1989</u>	<u>31 March 1989</u>
	<u>£</u>	<u>£</u>
	000	000
BEFORE TAXATION		
Profit on sale of properties	2,403	3,188
Cost of takeover/bid defence	(704)	(1,109)
Shops fixtures & fronts depreciation	(973)	-
Profit on debenture redemption	33	-
	-----	-----
	759	2,079
	=====	=====
CORPORATION TAX CREDIT	192	327
DEFERRED TAX CREDIT	299	61
	-----	-----
	491	388
	=====	=====
EXTRAORDINARY ITEMS AFTER TAXATION	1,250	2,467
	=====	=====

With the takeover of the business, certain shops were identified for closure; the fixtures and fronts of these units were immediately written out.

8. DIVIDENDS (net of tax credit)

On the ordinary and
'A' ordinary
(non-voting) shares

	<u>31 December 1989</u>	<u>31 March 1989</u>
	<u>£</u>	<u>£</u>
	000	000
Special dividend (paid)	3,468	-
Interim dividend (paid)	-	983
Final dividend (proposed)	-	2,254
	-----	-----
	3,468	3,237
	=====	=====

STEAD & SIMPSON LIMITED

NOTES TO THE ACCOUNTS - continued

9. TANGIBLE FIXED ASSETS

The freehold and long leasehold properties have been revalued during the period, by Mason Owen & Partners on an open market existing use basis giving a surplus of £930,478 over book values. These new values are reflected in the balance sheet at 31 December 1989.

The total value of our freehold and long leaseholds after revaluation now stands at £104,678,000. The equivalent historical cost of these properties is £15,118,000 (March 1989 - £11,503,000). Included in this cost is capitalised interest of £183,330 (March 1989 - £103,562).

The value of leasehold properties included in the fixed assets amounted to £11,143,000 (March 1989 - £10,495,000) of which £10,845,000 (March 1989 - £9,345,000) represents those with more than 50 years unexpired. No value has been taken in the accounts of leasehold properties where a lease expiry or rent review occurs in the 10 years after the valuation date, although these were valued by Mason Owen & Partners at £7,420,500.

	Freehold & Leasehold Land & Buildings	Machinery Plant & Motor Vehicles	Shops Equipment, Fixtures & Fittings	Total
	£ 000	£ 000	£ 000	£ 000
Cost or valuation:				
As at 31 March 1989	102,705	3,104	10,403	116,212
Additions	2,982	275	1,840	5,097
Disposals	1,940	190	2,127	4,257
Surplus on revaluation	931	-	-	931
	-----	-----	-----	-----
As at 31 December 1989	104,678 =====	3,189 =====	10,116 =====	117,983 =====
Depreciation:				
As at 31 March 1989	-	1,635	2,713	4,348
Charge for the period	-	303	2,250	2,553
Eliminated on disposals	-	127	2,127	2,254
	-----	-----	-----	-----
As at December 1989	- =====	1,811 =====	2,836 =====	4,647 =====
Net book value:				
At 31 December 1989	104,678 =====	1,378 =====	7,280 =====	113,336 =====
At 31 March 1989	102,705 =====	1,469 =====	7,690 =====	111,864 =====

STEAD & SIMPSON LIMITED

NOTES TO THE ACCOUNTS ** continued

10. INVESTMENTS (Held as fixed assets)

	Shares in subsidiary companies	Other investments	Total
	<u>£</u> <u>000</u>	<u>£</u> <u>000</u>	<u>£</u> <u>000</u>
As 31 December 1989	182	-	182
	===	===	===
At 31 March 1989	182	35	217
	===	===	===

Investments are in wholly owned subsidiaries:

Castle's Motor Company (Leicester) Limited	Motor trade
Castles St Georges Way Limited	Motor trade
Castles Dover Street Limited	Motor trade
Piquet Computer Services Limited	Computer programming

Additionally there are two dormant subsidiaries; Castles of Leicester Limited and Piquet Management Services Limited.

11. DEBTORS

	<u>31 December 1989</u>	<u>31 March 1989</u>
	<u>£</u> <u>000</u>	<u>£</u> <u>000</u>
Trade debtors	67	49
Prepayments	2,337	1,383
Amounts owed by group companies	4,551	1,467
Other debtors	359	394
	-----	-----
	7,314	3,293
	=====	=====

Included in prepayments is £658,000 (March 1989: Nil) in respect of the surplus on the pension scheme outlined in note 20.

STEAD & SIMPSON LIMITED

NOTES TO THE ACCOUNTS - continued

12. CREDITORS:

Amounts falling due within
one year

	<u>31 December 1989</u>	<u>31 March 1989</u>
	<u>£</u> 000	<u>£</u> 000
Trade creditors	169	520
Amounts owed to holding company	173	-
Advance corporation tax	1,156	1,079
Corporation tax	178	2,064
Other tax and social security	1,065	497
Proposed dividend	-	2,254
Accruals	2,204	713
	-----	-----
	4,945	7,127
	=====	=====

13. CREDITORS:

Amounts falling due after more
than one year

	<u>31 December 1989</u>	<u>31 March 1989</u>
	<u>£</u> 000	<u>£</u> 000
4.5% Debentures	-	300
	===	===

The debentures were redeemed during the period.

STEAD & SIMPSON LIMITED

NOTES TO THE ACCOUNTS - continued

14. PROVISION FOR DEFERRED TAXATION

	<u>31 December 1989</u>	<u>31 March 1989</u>
	<u>£</u>	<u>£</u>
	<u>000</u>	<u>000</u>
Taxation deferred by accelerated capital allowances	905	943
Less: Advance corporation tax recoverable	-	751
	---	---
	905	192
	===	===

No provision is made for the capital gains tax deferred by rollover relief amounting to approximately £2.3 million, and the potential capital gains tax on the disposal of properties at book value amounting to approximately £10.5 million.

15. SHARE CAPITAL

Authorised	Allotted called up & fully paid
-----	-----
<u>£</u>	<u>£</u>
<u>000</u>	<u>000</u>

At 31 March 1989 and 31 December 1989

1,600,000 ordinary shares of 25p	400	400
56,200,000 'A' ordinary (non-voting) shares of 25p	14,050	14,050
19,000,000 unclassified shares of 25p	4,750	-
	-----	-----
	19,200	14,450
	=====	=====

STEAD & SIMPSON LIMITED

NOTES TO THE ACCOUNTS - continued

16. RESERVES

	Profit & loss account <u>£</u> 000	Revaluation reserve <u>£</u> 000
As at 31 March 1989 (Note 17)	26,876	79,437
Retained profit for the period	5,361	-
Surplus on revaluation	-	930
Transfer from revaluation reserve in respect of properties sold during the period	-	(1,771)
	----- 32,237 =====	----- 78,596 =====

17. PRIOR YEAR ADJUSTMENT

	<u>£</u> 000	<u>£</u> 000
Retained profit as originally stated		26,390
Add		
Prior year adjustment (Note 20)		
Gross	748	
Tax	(262)	
Net	-----	486
Retained profit as restated		----- 26,876 =====

STEAD & SIMPSON LIMITED

NOTES TO THE ACCOUNTS - continued

18. (a) CAPITAL COMMITMENTS

There were no capital commitments at 31 December 1989 (31 March 1989: nil).

(b) LEASING COMMITMENTS

The company has annual commitments in respect of operating leases which expire as follows:

	Land and Buildings
	£ 000
Within one year	21
Between two and five years	457
After five years	3,936

	4,454
	=====

19. CONTINGENT LIABILITIES

The company has guaranteed the bank overdrafts and certain loans of Castle's Motor Company (Leicester) Limited, Castles St Georges Way Limited, Castles Dover Street Limited and Piquet Computer Services Limited amounting to £2,123,339 (March 1989 - £1,652,000).

20. PENSIONS

The company operates a contributory pension scheme which covers certain of its permanent full time employees. The scheme's funds are administered by trustees and are independent of the company's finances. An Actuarial Valuation of the main fund at 1st June 1989 carried out by independent actuaries indicated that the present funding arrangements are more than adequate. Accordingly the company commenced a pension holiday with effect from October 1989, and following the transitional arrangements detailed in Statement of Standard Accounting Practice number 24, has made a prior year adjustment to its reserves of £747,800., (see note 17) in respect of the surplus, and has charged in the current year the regular cost as determined by the actuaries, less the interest credit on the surplus. The main assumptions used in determining the surplus for these accounts were a yield of 9% and salary increases of 7%, and the projected unit method was applied.

The market value of the scheme's assets at the valuation date was £4,279,000 and at that date the level of funding was 114%.

STEAD & SIMPSON LIMITED

NOTES TO THE ACCOUNTS - continued

21. POST BALANCE SHEET EVENTS

Subsequent to the year end the company has sold and leased back a number of assets, particularly computer equipment, the car fleet and part of the commercial vehicle fleet.

This realised £1,243,000 against a written down value of £993,000 and gave rise to a commitment in respect of operating leases which in 1990 amounts to :

	£ 000
Leases terminating within 1 year	26
Leases terminating within 2-5 years	376
Leases terminating beyond 5 years	48

	450
	===

22. ULTIMATE HOLDING COMPANY

The ultimate holding company is Clayform Properties PLC incorporated in England.