

141015/173

K SHOEMAKERS LIMITED

DIRECTORS' REPORT AND ACCOUNTS

30TH SEPTEMBER 1977

PEAT, MARWICK, MITCHELL & CO.,
Airedale House,
Albion Street,
Leeds, LS1 5TY.



REPORT OF THE DIRECTORS
TO BE SUBMITTED AT THE SIXTY-THIRD
ANNUAL GENERAL MEETING OF THE COMPANY

The Directors submit the Balance Sheet as at 30th September 1977 and the Profit and Loss Account for the year ended that date, together with the Auditors' Report thereon.

	£
The Net Profit for the year, after providing for Taxation	420,639
Transfer from revaluation surplus	114,922
Balance brought forward	<u>3,209,521</u>
Leaving a balance to carry forward to next year	<u><u>3,745,082</u></u>

The following were Directors throughout the year :

S. Crookenden, M.C. (Chairman)
J.D. Younie, D.F.C.
J.R. Peat
J.W. Sumsion
J.R. Reeves
D.J. Hawkes
T.J. Lewis

Under Article 116 of the Company's Articles of Association, none of the Directors is subject to retirement by rotation.

The Principal activity of the Company is the manufacture and sale of footwear.

In the opinion of the Directors, the market value of the Company's interests in freehold and leasehold properties is not less than the book value.

The value of goods exported from the United Kingdom was £3,526,835 (1976 £2,276,310).

Directors Shareholdings

Mr. J.D. Younie, Mr. S. Crookenden and Mr. J.R. Peat are Directors of K Shoes Limited and consequently have not notified this Company of their holdings in that Company.

The interests of the other Directors in the shares of K Shoes Limited at 30th September 1977 and 1976 were as follows:

	<u>30th September 1977</u>	<u>30th September 1976</u>
<u>Ordinary Shares of 25p each</u>		
<u>held beneficially</u>		
Mr. J.R. Reeves	4,000 Ordinary	4,000 Ordinary
Mr. J.W. Sumsion	1,439 "	1,439 "
Mr. D.J. Hawkes	2,244 "	2,244 "
Mr. T.J. Lewis	None	None

K SHOEMAKERS LIMITED

Page 2

A resolution for the re-appointment of Peat, Marwick, Mitchell & Co.,
as Auditors of the Company, will be submitted to the Annual General Meeting.

BY ORDER OF THE BOARD



J.R. Peat
Secretary

Netherfield, Kendal,
8th December 1977

REPORT OF THE AUDITORS TO THE MEMBERS OF

K SHOEMAKERS LIMITED

We have examined the accounts set out on Pages 4 to 13 which have been prepared under the historical cost convention supplemented by the revaluation of certain freehold and leasehold land and buildings. In our opinion, they give under that convention, a true and fair view of the state of affairs of the Company at 30th September 1977 and of the profit and source and application of funds for the year to that date, and comply with the Companies Acts 1948 and 1967.

Frank Marwick Mitchell & Co.

PEAT, MARWICK, MITCHELL & CO.,
Chartered Accountants.

Airedale House,
Albion Street,
Leeds, LS1 5TY.
8th December 1977.

K SHOEMAKERS LIMITED

ACCOUNTING POLICIES

The accounting policies which affect items material in determining the Company's financial position are set out below. These policies form part of the notes to the accounts.

1. Fixed Assets and Depreciation.

Expenditure on freehold and leasehold property, plant, equipment and fixtures and fittings is capitalised but renewals of and some improvements to office accommodation are written off when they are incurred. Depreciation is provided on freehold buildings at 2% of cost per annum. All other assets are depreciated at rates calculated to write them off over their estimated lives.

2. Stocks.

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

3. Deferred Taxation.

The company provides for deferred taxation, using the liability method, on all timing differences between the recognition of profits for accounts and taxation purposes in respect of which it is expected that a liability to pay taxation will crystallise in the foreseeable future.

4. Capital expenditure grants.

These are put into a Capital Expenditure Grants Account and then credited to Profit and Loss Account in equal annual instalments over the lives of the assets.

5. Research and Development Expenditure.

All expenditure is written off when incurred.

6. Turnover.

Turnover represents the value of goods invoiced to external customers and other group companies net of value added tax.

PROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 30TH SEPTEMBER 1977

	<u>Note</u>	<u>1977</u>	<u>1976</u> <u>(Note 4)</u>
TURNOVER		£30,234,010	£28,876,356
Trading (Loss)/Profit		(3,514)	158,564
Interest		(298,276)	(211,755)
(Loss) before taxation	1	(301,790)	(53,191)
Taxation	2	(6,500)	450,842
(Loss)/Profit after taxation		(308,290)	397,651
Amount recoverable for Group Relief		728,929	-
Goodwill on consolidation written off		-	(903)
Transfer from revaluation surplus	G	114,922	-
		535,561	396,748
Balance brought forward as stated at 30th September 1976		£1,403,554	£1,452,819
Deferred taxation released:	K		
In respect of year end 30th September 1976		446,013	-
In respect of earlier years		1,359,954	1,359,954
Balance carried forward		£3,715,082	2,812,773
			£3,209,521

The notes on pages 6 & 7 form part of these accounts.

NOTES TO PROFIT AND LOSS ACCOUNT1. Trading profit

This is stated after charging and crediting the following items of expenditure and income:

	<u>1977</u>		<u>1976</u>	
	£	£	£	£
Expenditure				
Depreciation	335,450		317,200	
Less transfer from				
Capital Expenditure grants	<u>40,383</u>		<u>35,015</u>	
	295,067		282,185	
Less over provided on disposals	<u>1,799</u>		<u>14,628</u>	
		293,268		267,557
Redundancies and closure costs (net)		875		225,000
Hire of plant and machinery		488,537		471,576
Auditors remuneration		15,552		13,352
Directors remuneration (Note 3)				
As Managers	97,089		84,318	
Pension contributions	<u>28,841</u>		<u>25,856</u>	
		125,930		110,174
Interest paid				
Bank interest	311,092		189,000	
Other interest	<u>20,184</u>		<u>22,755</u>	
	331,276		211,755	
Less interest relief grant	<u>33,000</u>	<u>298,276</u>	<u>-</u>	<u>211,755</u>
Income				
Temporary employment subsidy		346,460		-
Dividend		340		-
Other interest		<u>318</u>		<u>32,455</u>

2. Taxation

Corporation Tax recoverable at 52% on the results of the year	-	454,097
Double tax relief	-	<u>946</u>
	-	455,043
Taxation in Eire	(6,500)	(946)
	(6,500)	454,097
Prior year adjustments	-	(3,255)
(Charge) /Credit in respect of taxation.	(6,500)	<u>450,842</u>

NOTES TO PROFIT AND LOSS ACCOUNT
(Continued)

3. Directors' Remuneration

The emoluments (exclusive of pension contributions) of the directors of the company fall into the following ranges:

	<u>1977</u> <u>Number</u>	<u>1976</u> <u>Number</u>
Nil to £2,500	-	1
£2,501 to £5,000	-	-
£5,001 to £7,500	-	-
£7,501 to £10,000	-	-
£10,001 to £12,500	4	3
£12,501 to £15,000	1	1
£15,001 to £17,500	-	-
£17,501 to £20,000	2	2

The Chairman received	<u>£18,922</u>	<u>£18,883</u>
-----------------------	----------------	----------------

Seven Directors have waived remuneration totalling £9,417 (1976 - Nil).

During the year the company made a bridging loan of £10,200 to a Director. This was re-paid before 30th September 1977.

4. Comparative figures

The comparative figures are those for the company and its former subsidiary, W.H.H. Clarke & Co. Limited whose assets and business were merged with those of the company from 7th September 1976.

K SHOEMAKERS LIMITED

Page 8

BALANCE SHEET

AS AT 30TH SEPTEMBER 1977

	Note	1977	1976 (Note 4)
Fixed assets	A & B	£3,222,174	£3,498,956
Investment	C	1	1
Subsidiary Companies	D	15,107	15,007
		<u>3,237,282</u>	<u>3,513,964</u>
Current Assets			
Stock	E	£7,271,111	£6,193,092
Trade debtors		3,099,975	2,491,789
Loans, bills receivable and prepayments		504,977	591,703
Balance at Bank and cash		10,144	5,876
Due from fellow subsidiaries		2,403,818	1,520,628
Tax recoverable		16,863	15,059
		<u>13,306,888</u>	<u>10,818,147</u>
Current liabilities			
Trade creditors and accruals		2,250,749	2,493,667
Short term loans and deposits		185,285	213,716
Due to subsidiaries		189,946	102,199
Current taxation		6,500	-
		<u>2,632,480</u>	<u>2,809,582</u>
Net current assets		<u>£10,674,408</u>	<u>£8,008,565</u>
Total net assets		<u>£13,911,690</u>	<u>£11,522,529</u>
Representing			
Share capital	F	£373,907	£373,907
Revaluation surpluses	G	255,983	370,905
Reserves	H	4,209,703	3,674,142
		4,839,593	4,418,954
Parent Company loan	I	8,725,611	6,735,762
Capital expenditure grants	J	346,486	367,813
		<u>£13,911,690</u>	<u>£11,522,529</u>

The notes on page 7 and pages 10 to 13 form part of the balance sheet.

S. CROOKENDEN

J.D. YOUNIE

Directors

J. Crookenden
J.D. Young

K SHOEMAKERS LIMITED

Page 9

YEAR ENDED 30TH SEPTEMBER 1977

Statement of Source and Application of Funds

	<u>1977</u>		<u>1976</u> (Note 4)	
Source of funds	£	£	£	£
Profit/(Loss) before taxation		(301,790)		(53,191)
Depreciation net of capital expenditure grants		293,268		267,557
Proceeds of sale of assets		275,594		33,669
Amount receivable for Group Relief		<u>728,929</u>		<u>-</u>
		996,001		248,035
Holding company loan increase/(decrease)		<u>1,989,849</u>		<u>2,720,335</u>
		2,985,850		2,968,370
Application of funds				
Cost of investment in subsidiary	100		-	
Net assets transferred from subsidiary	146,789		-	
Dividend paid	-		240,000	
Tax paid	1,804		314,378	
Payment for Group Relief	-		(100,160)	
Fixed assets purchased net of grant	<u>166,618</u>		<u>277,026</u>	
		<u>315,311</u>		<u>731,244</u>
		2,670,539		2,237,126
Increase/(decrease) in Working Capital				
Stock	1,078,019		959,019	
Debtors, prepayments, loans & bills receivable	521,460		794,215	
Creditors, accruals, loans & deposits	271,349		(379,413)	
Fellow subsidiaries - current accounts	<u>795,443</u>		<u>863,904</u>	
	2,666,271		2,237,725	
Cash and Bank	<u>4,268</u>		<u>(599)</u>	
		<u>2,670,539</u>		<u>2,237,126</u>

NOTES TO THE BALANCE SHEETA. Fixed Assets

The details of Fixed Asset and Depreciation Accounts are set out on page 13.

Freehold land and buildings include at 30th September 1977 house properties and housing estate at a cost of £46,071 on which depreciation has been provided of £29,531.

B. Capital Commitments

	<u>1977</u>	<u>1976</u> (Note 4)
	£	£
Commitments not provided for in the accounts	52,000	50,000
Expenditure authorised but not contracted at 30th September 1977.	11,000	6,000

C. Investment

	£
Unlisted Ordinary shares at cost	2,500
Less provision	<u>2,499</u>
	<u>1</u>

In the opinion of the directors, the value of the shares is not materially different from that shown in the accounts.

D. Subsidiary Companies (all wholly owned)

	<u>1977</u>	<u>1976</u>
Shares at Cost -		
'K' Shoes Limited	£1,000	£1,000
Clarkes (Norwich) Limited	14,007	14,007
Cleland & Son Limited	100	-
	<u>£15,107</u>	<u>£15,007</u>

Neither 'K' Shoes Limited nor Clarkes (Norwich) Limited traded during the year.

As the company is a wholly owned subsidiary of a company incorporated in the United Kingdom, consolidated accounts have not been prepared.

In the view of the directors, the values of the subsidiaries are not less than the amounts at which they are included in the balance sheet.

E. Stock

Stocks comprise of:

	<u>1977</u>	<u>1976</u>
Raw Materials	2,345,298	2,273,652
Work-in-progress	1,894,148	1,427,900
Finished Goods	<u>3,031,665</u>	<u>2,491,540</u>
	<u>£7,271,111</u>	<u>£6,193,092</u>

NOTES TO THE BALANCE SHEET
(Continued)

F. <u>Share Capital</u>	<u>Authorised</u>	<u>1977</u>	<u>1976</u>
		<u>Issued and fully paid</u>	<u>Issued and fully paid</u>
Ordinary Shares of £1 each	<u>500,000</u>	<u>£373,907</u>	<u>£373,907</u>
G. <u>Revaluation surplus</u>		<u>1977</u>	<u>1976</u> (Note 4)
Surplus arising on independent valuation of Leasehold property as at 30th September 1972.		650,000	650,000
Dividend paid to the holding company (Note I) by transferring to Profit and Loss Account.		<u>469,000</u> <u>£ 181,000</u>	<u>469,000</u> <u>£ 181,000</u>
Surplus on sale of assets transferred at a valuation from W.H.H. Clarke & Company Limited to the company.		189,905	189,905
Less transfer to profit and loss account, following disposal of property transferred at valuation.		<u>114,922</u> <u>74,983</u> <u>£ 255,983</u>	<u>-</u> <u>189,905</u> <u>£ 370,905</u>
H. <u>Reserves</u>			
Capital reserve		464,621	464,621
Profit and Loss Account		<u>3,745,082</u> <u>£4,209,703</u>	<u>3,209,521</u> <u>£3,674,142</u>
I. <u>Holding Company</u>			
The Company's ultimate holding company is K Shoes Limited, a company incorporated in England.			
J. <u>Capital Expenditure Grants</u>		<u>1977</u>	<u>1976</u> (Note 4)
Balance at 30th September 1976.		£367,813	£339,910
Grants received /(repaid)		(20,718)	62,918
Transfer from Cleland & Son Limited		<u>39,774</u>	<u>-</u>
		386,869	402,828
Less credited to Profit and Loss account in respect of the year.		<u>40,383</u> <u>£346,486</u>	<u>35,015</u> <u>£367,813</u>

NOTES TO THE BALANCE SHEET
(Continued)

K. Deferred Taxation

Following the publication of exposure draft 19, the Directors have reviewed the company's policy regarding the provision for deferred taxation in respect of timing differences in the recognition of profits for the purposes of accounts and taxation. In the context of the Company's membership of the K Shoes Ltd. Group, the Directors consider that it is most improbable that any existing timing differences will reverse in the foreseeable future. Accordingly, the provision for deferred taxation at 30th September 1975 has been released and the taxation change in respect of the year ended 30th September 1976 has been re-stated.

The provision at 30th September 1976 has been transferred to reserves as follows:-

	Provision existing at 30th September 1975	Change for year ended 30th September 1976	Provision at 30th September 1976
	£	£	£
To profit and loss account in respect of fixed assets, stock appreciation relief and deferred expenditure.	1,359,954	446,013	1,805,967
To revaluation reserve in respect of properties.	62,000	44,065	106,065
	<u>1,421,954</u>	<u>490,078</u>	<u>1,912,032</u>

At 30th September 1977 the Company had a contingent liability for deferred taxation, calculated at 52% in respect of the following items:

	1977	1976
	£	£
Accelerated depreciation	680,000	756,000
Stock relief	1,720,000	1,175,000
Unrealised valuation surpluses	82,000	106,000
Special revenue expenditure	-	(125,000)
	<u>2,482,000</u>	<u>1,912,000</u>

L. Floating Charge

The undertaking, property and assets of the company are subject to a floating charge in favour of the Trustees for the holders of the £363,500 6½% Debenture Stock 1984/89, and the £781,514 7½% Debenture Stock 1986/91 issued by the K Shoes Limited (1976 - £390,500 and £788,819 respectively).

M. Contingent Liabilities

Indemnities and guarantees given to the company's bankers, together with the liability for value added tax under a group registration scheme amounted to £5,500 (1976 £25,000).

K SHOEMAKERS LIMITEDYEAR ENDED 30TH SEPTEMBER 1977NOTES TO THE BALANCE SHEET

	<u>Freehold Land & Buildings</u>	<u>Leasehold Properties</u>	<u>Plant, Vehicles, Fixtures & Fittings</u>	<u>Total</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
<u>FIXED ASSETS</u>				
<u>Cost or Valuation</u>				
At 30th September 1976				
Cost	1,555,441	104,261	19,503	5,205,418
Valuation	315,000	-	650,000	965,000
Additions	12,428	-	651	145,900
Group transfers	108,714	-	-	229,402
	1,991,583	104,261	670,154	6,545,720
Disposals	(233,297)	-	-	(348,969)
At 30th September 1977				
Cost	1,658,286	104,261	20,154	5,446,751
Valuation	100,000	-	650,000	750,000
<u>Depreciation</u>				
At 30th September 1976				
Cost	459,559	6,146	4,767	2,565,762
Valuation	700	-	105,000	105,700
Charge for the year	36,932	2,085	23,087	335,450
Group transfers	4,323	-	-	42,839
	501,514	8,231	132,854	3,049,751
Disposals	(9,371)	-	-	(75,174)
At 30th September 1977				
Cost	489,726	8,231	6,854	2,846,160
Valuation	2,417	-	126,000	128,417
<u>Net Book Values</u>				
At 30th September 1977				
Cost	1,168,560	96,030	13,300	2,600,591
Valuation	97,583	-	524,000	621,583
	1,266,143	96,030	537,300	3,222,174
At 30th September 1976				
Cost	1,095,882	98,115	14,736	2,639,656
Valuation	314,300	-	545,000	859,300
	1,410,182	98,115	559,736	3,498,956