

Company Registration No. 170349

Joseph Cheaney & Sons Limited

Report and Financial Statements

31 December 2005



Joseph Cheaney & Sons Limited

Report and financial statements 2005

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Joseph Cheaney & Sons Limited

Report and financial statements 2005

Officers and professional advisers

Directors

S Etheridge (Chairman)
D N Helliwell (Retired 30 June 2005)
D Dickerson

Secretary

D N Helliwell (Retired 30 June 2005)
H Shah (Appointed 1 July 2005)

Registered office

PO Box 1
69 Rushdon Road
Desborough
Kettering
Northants
NN14 2RZ

Bankers

National Westminster Bank plc
Northampton

Barclays Bank plc
London

Solicitors

Hewitson Becke & Shaw
7 Spencer Parade
Northampton
NN1 5AB

Auditors

Deloitte & Touche LLP
Chartered Accountants
London

Joseph Cheaney & Sons Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

Principal activity

The company's principal activity continues to be that of manufacturing and wholesale of footwear.

Review of developments

Both the level of business and the year end financial position were satisfactory and the directors expect that the level of activity will be sustained for the foreseeable future.

Results and dividends

There was a profit for the year after taxation amounting to £234,310 pre-dividend (2004 - £49,049). The directors declared and paid a dividend of 380p per share, £342,357 (2004 - £nil).

Directors and their interests

The directors who held office throughout the year are given below.

S Etheridge (Chairman)
D N Helliwell (Retired 30 June 2005)
D Dickerson

Mr D N Helliwell retired on 30 June 2005 from his role as director and as company secretary. Mr H Shah was appointed company secretary on 1 July 2005.

The directors did not have any interests in the company or any other group undertaking during the year (2004 - £nil).

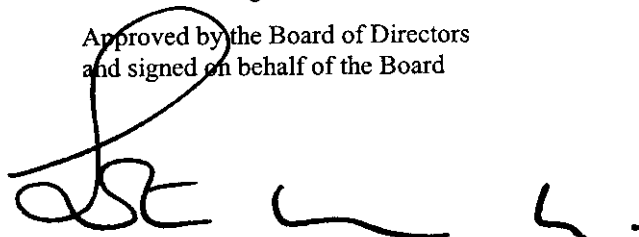
Political and charitable donations

The company made no political donations. Charitable donations made during the year amounted to £861 (2004 - £434).

Auditors

A resolution to re-appoint Deloitte & Touche LLP will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



S Etheridge
Director

30th June 2006

Joseph Cheaney & Sons Limited

Statement of directors' responsibilities

United Kingdom 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 as at the end of the financial year and of the profit or loss of the company 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; and
- 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 keeping 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 are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Joseph Cheaney & Sons Limited

We have audited the financial statements of Joseph Cheaney & Sons Limited for the year ended 31 December 2005 which comprise the profit and loss account, the note of historical cost profits and losses, the balance sheet, and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

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 auditors' 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

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with the relevant financial reporting framework, 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 other transactions is not disclosed.

We read the directors' report and the other information for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London, UK

Date *30th June 2006*

Joseph Cheaney & Sons Limited

Profit and loss account Year ended 31 December 2005

	Notes	2005 £	2004 £
Turnover – continuing operations	2	5,720,531	5,468,494
Cost of sales		(4,217,082)	(4,384,101)
Gross profit		<u>1,503,449</u>	<u>1,084,393</u>
Administrative expenses		(1,216,428)	(999,846)
Operating profit – continuing operations	3	<u>287,021</u>	<u>84,547</u>
Interest receivable and similar income		13,927	10,860
Profit on ordinary activities before taxation		<u>300,948</u>	<u>95,407</u>
Tax charge on profit on ordinary activities	7	(86,995)	(46,358)
Profit on ordinary activities after taxation		<u>213,953</u>	<u>49,049</u>
Dividends	8	(342,357)	-
Retained (loss)/profit for the financial year	16, 17	<u>(128,404)</u>	<u>49,049</u>

The company has no recognised gains and losses other than that stated above and therefore no separate statement of total recognised gains and losses has been presented.

Joseph Cheaney & Sons Limited

Note of historical cost profits and losses Year ended 31 December 2005

	2005 £	2004 £
Reported profit on ordinary activities before taxation	300,948	95,407
Difference between an historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	2,055	2,055
Historical cost profit on ordinary activities before taxation	<u>303,003</u>	<u>97,462</u>
Historical cost (loss)/profit retained after taxation and dividends	<u>(126,349)</u>	<u>51,104</u>

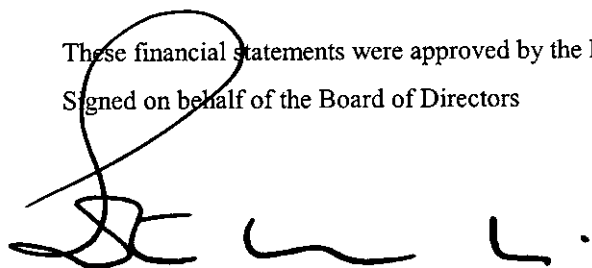
Joseph Cheaney & Sons Limited

Balance sheet 31 December 2005

	Notes	2005 £	2004 £
Fixed assets			
Tangible fixed assets	9	<u>711,980</u>	<u>699,149</u>
Current assets			
Stock	10	1,392,935	1,455,067
Debtors	11	1,766,307	1,669,172
Cash at bank and in hand		<u>752,964</u>	<u>551,102</u>
		3,912,206	3,675,341
Creditors: amounts falling due within one year	12	<u>(1,016,732)</u>	<u>(658,989)</u>
Net current assets		<u>2,895,474</u>	<u>3,016,352</u>
Total assets less current liabilities		3,607,454	3,715,501
Provisions for liabilities and charges	13	<u>(55,232)</u>	<u>(34,875)</u>
Net assets		<u>3,552,222</u>	<u>3,680,626</u>
Capital and reserves			
Called up share capital	15	90,094	90,094
Share premium account	16	5,000	5,000
Revaluation reserve	16	103,527	103,527
Profit and loss account	16	<u>3,353,601</u>	<u>3,482,005</u>
Equity shareholders' funds	17	<u>3,552,222</u>	<u>3,680,626</u>

These financial statements were approved by the Board of Directors on 30th June 2006.

Signed on behalf of the Board of Directors



S Etheridge
Director

Joseph Cheaney & Sons Limited

Notes to the accounts

Year ended 31 December 2005

1. Accounting policies

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain tangible fixed assets, in accordance with applicable United Kingdom accounting standards. A summary of the principal accounting policies is set out below, these policies have been applied consistently in the current and prior year.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Fixed assets

With the exception of land and buildings, the cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Land and buildings were revalued in 1994 to the open market value at that date.

The company has adopted the option within the transitional arrangements of Financial Reporting Standard 15 'Tangible Fixed Assets' to retain the book values of fixed assets at their previously revalued amounts. No further revaluations will be undertaken.

From 2004 the company adopted a policy of capitalising lasts and knives and depreciating them over a five year period.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Freehold buildings	2½% - 4%
Plant and machinery	5% - 20%
Motor vehicles	25%

Foreign currencies

Transactions in foreign currencies are recorded at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities in foreign currencies are retranslated at the rates of exchange ruling at the balance sheet date. All exchange differences are dealt with through the profit and loss account.

Pensions - Defined Benefit Scheme

The pension costs charged to the profit and loss account are based on actuarial methods and assumptions designed to spread the anticipated pension costs over the service lives of the employees in the scheme, so as to ensure that the regular pension cost represents a substantially level percentage of the current and expected future pension payroll. Variations from regular cost are spread over the remaining service lives of current employees in the scheme.

Stocks and work in progress

Raw material stocks have been valued at the lower of cost and net realisable value.

Stocks of finished goods or work in progress have been valued at the lower of estimated cost, including production overheads, or net realisable value.

Joseph Cheaney & Sons Limited

Notes to the accounts

Year ended 31 December 2005

1. Accounting policies (continued)

Cash flow statement and related party disclosures

The company is a wholly-owned subsidiary of Church Holdings UK plc and is included in the consolidated financial statements of Church Holdings UK plc, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996).

The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Church Holdings UK plc group or investees of Church Holdings UK plc.

Turnover

Turnover represents amounts invoiced by the company in respect of goods provided during the year, excluding value added tax and trade discounts.

Operating leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if payments are not made on such a basis.

2. Turnover

All turnover relates to the company's principal activity, namely the manufacture and wholesale of footwear. The analysis of turnover by geographical markets supplied is as follows:

	2005 £	2004 £
United Kingdom	3,763,894	3,614,758
Europe	405,317	597,956
United States of America	611,846	271,208
Other countries	939,474	984,572
	<u>5,720,531</u>	<u>5,468,494</u>

3. Operating profit

Operating profit is stated after charging/(crediting);

	2005 £	2004 £
Depreciation of tangible fixed assets - owned assets	96,470	89,722
(Profit)/Loss on disposal of fixed assets	(6,951)	3,112
Hire of machinery and equipment	19,516	16,180
Operating lease rentals	5,768	5,768
Auditors' remuneration		
- audit services	13,500	13,500
- non-audit services	-	-
	<u>13,500</u>	<u>13,500</u>

Joseph Cheaney & Sons Limited

Notes to the accounts Year ended 31 December 2005

4. Directors' emoluments

	2005 £	2004 £
Aggregate emoluments	115,634	151,621

During the year 2 directors (2004 – 2) were accruing benefits under the group defined benefit scheme.

The accrued lump sum for the highest paid director at 31 December 2005 was £10,800 (2004 – £10,800).

5. Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was:

	2005 No.	2004 No.
By activity		
Production	119	117
Selling and distribution	3	3
Administration	18	19
	140	139

6. Employee costs

	2005 £	2004 £
Wages and salaries	2,285,003	2,101,396
Social security costs	183,338	164,934
Other pension costs	103,254	96,593
Staff costs	2,571,595	2,362,923

Joseph Cheaney & Sons Limited

Notes to the accounts

Year ended 31 December 2005

7. Tax charge on profit on ordinary activities

	2005 £	2004 £
United Kingdom corporation tax at 30% (2004 – 30%) based on the profit for the year		
- current tax	(66,638)	-
- deferred tax	(20,357)	(9,255)
Under/(over) provision in respect of prior years		
- current tax	-	(37,103)
- deferred tax	-	-
	<u>(86,995)</u>	<u>(46,358)</u>

The tax assessed for the year is lower than that resulting from applying the standard rate of corporation tax in the UK of 30% (2004: 30%). The differences are explained below:

	2005 £	2004 £
Profit on ordinary activities before taxation	<u>300,948</u>	<u>95,407</u>
Tax at 30% thereon:	(90,285)	(28,622)
Expenses not deductible for tax purposes	(9,794)	(3,595)
Capital allowances in excess of depreciation	17,807	9,255
Movement in short term timing differences	2,550	-
Group relief not paid for	13,083	22,962
Prior period adjustments	1	(37,103)
Current tax for the year	<u>(66,638)</u>	<u>(37,103)</u>

8. Dividends

	2005 £	2004 £
Equity – ordinary		
Final proposed: 380 p (2004– nil p) per £1 share	<u>342,357</u>	<u>-</u>

Joseph Cheaney & Sons Limited

Notes to the accounts Year ended 31 December 2005

9. Tangible fixed assets

	Land and buildings £	Plant and machinery £	Motor vehicles £	Total £
Cost				
At 1 January 2005	314,240	1,037,973	151,905	1,504,118
Additions	-	64,721	57,590	122,311
Disposals	-	(815)	(78,607)	(79,422)
	<u>314,240</u>	<u>1,101,879</u>	<u>130,888</u>	<u>1,547,007</u>
At 31 December 2005				
Accumulated depreciation				
At 1 January 2005	55,095	636,927	112,947	804,969
Charge for the year	7,928	71,006	17,536	96,470
Disposals	-	(441)	(65,971)	(66,412)
	<u>63,023</u>	<u>707,492</u>	<u>64,512</u>	<u>835,027</u>
At 31 December 2005				
Net book value				
At 31 December 2005	<u>251,217</u>	<u>394,387</u>	<u>66,376</u>	<u>711,980</u>
At 31 December 2004	<u>259,145</u>	<u>401,046</u>	<u>38,958</u>	<u>699,149</u>

The figures stated above include the following:

	Freehold land and buildings	
	2005	2004
	£	£
At cost – purchased post 31 December 1994	13,240	13,240
At Valuation – 1994	301,000	301,000
	<u>314,240</u>	<u>314,240</u>

If freehold land and buildings had not been revalued, they would have been included on the historical cost basis at the following amount:

	2005	2004
	£	£
Cost	243,365	243,365
Accumulated depreciation	<u>(79,662)</u>	<u>(73,789)</u>
Net book amount	<u>163,703</u>	<u>169,576</u>

The freehold properties were valued by external valuers, Connell Wilson, as at 31 December 1994, on the basis of the open market value for the existing use in accordance with the statement of Asset Valuation Practice and Guidance Notes published by the RICS. The company has adopted the option within the transitional arrangements of FRS 15 'Tangible Fixed Assets' to retain the book values of fixed assets at their previously revalued amounts. No further revaluations will be undertaken.

Joseph Cheaney & Sons Limited

Notes to the accounts

Year ended 31 December 2005

10. Stock

	2005 £	2004 £
Raw materials and consumables	419,124	418,534
Work in progress	348,759	247,262
Finished goods and goods for resale	625,052	789,271
	<u>1,392,935</u>	<u>1,455,067</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

11. Debtors

	2005 £	2004 £
Trade debtors	1,176,153	1,337,251
Amounts owed by group undertakings	565,243	254,737
Amounts owed by associated undertakings	-	31,371
Other debtors	957	5,037
Prepayments and accrued income	23,954	40,776
	<u>1,766,307</u>	<u>1,669,172</u>

12. Creditors: amounts falling due within one year

	2005 £	2004 £
Trade creditors	358,355	344,281
Amounts due to group undertakings	307,794	20,405
Amounts due to associated undertakings	3,466	5,433
Corporation tax payable	66,638	-
Other taxation and social security	142,292	134,096
Other creditors	30,463	45,275
Accruals and deferred income	107,724	109,499
	<u>1,016,732</u>	<u>658,989</u>

Joseph Cheaney & Sons Limited

Notes to the accounts

Year ended 31 December 2005

13. Provisions for liabilities and charges

Deferred taxation:

	£
1 January 2005	34,875
Charged to the profit and loss account	20,357
	<hr/>
At 31 December 2005	55,232
	<hr/>

2005 **2004**
£ £

Deferred taxation provided in the accounts comprises:

Capital allowances in excess of depreciation	55,232	37,425
Short term timing differences	-	(2,550)
	<hr/>	<hr/>
Deferred tax provision	55,232	34,875
	<hr/>	<hr/>

14. Pension commitments

Defined Benefit Schemes

The company is a member of a group defined benefit pension scheme for the benefit of its employees. The assets of the schemes are administered by trustees in a fund independent from those of the group. The current actuarial value of the assets is sufficient to secure the accrued benefits of the members, according to current legislation.

Joseph Cheaney & Sons is unable to identify its share of the underlying assets and liabilities.

The pension disclosure is made under SSAP 24. The provisions of FRS 17 "Retirement benefits" are disclosed in the financial statements of Church Holding Uk Plc.

A summary of the FRS 17 actuarial valuation for each of the schemes for the Church & Co plc group is given below:

	Staff Pension scheme			Works Pension scheme			R P Ellen Pension Scheme		
	2005	2004	2003	2005	2004	2003	2005	2004	2003
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total fair value of assets	24,698	21,115	19,593	6,484	5,735	5,590	-	-	1,563
Present value of scheme liabilities	(26,855)	(25,547)	(23,026)	(4,864)	(5,532)	(5,541)	-	-	(512)
Related deferred tax asset	647	1,330	1,030	(486)	(61)	(15)	-	-	(315)
Net pension (deficit)/asset	(1,510)	(3,102)	(2,403)	1,134	142	34	-	-	736

The R P Ellen Pension Scheme was wound up in 2004. The remaining net assets are included within the Staff Pension scheme.

The full actuarial valuation of the scheme is disclosed in the financial statements of Church Holding UK Plc.

Defined Contribution Scheme

The company operates a defined contribution pension scheme operated for the benefit of employees and Directors who are not members of the Defined Benefit Schemes. This is a money purchase scheme the assets of which are independent from those of the company. The cost in the year was £8,302 (2004: £4,316).

Joseph Cheaney & Sons Limited

Notes to the accounts

Year ended 31 December 2005

15. Called up share capital

	2005 £	2004 £
Authorised:		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted and fully paid		
90,094 ordinary shares of £1 each	<u>90,094</u>	<u>90,094</u>

16. Reserves

	Share premium account £	Profit and loss account £	Revaluation reserve £
At 1 January 2005	5,000	3,482,005	103,527
Retained loss for the financial year	-	(128,404)	-
At 31 December 2005	<u>5,000</u>	<u>3,353,601</u>	<u>103,527</u>

17. Reconciliation of movements in shareholders' funds

	2005 £	2004 £
Profit/(loss) for the year	<u>(128,404)</u>	<u>49,049</u>
Net movement in shareholders' funds	<u>(128,404)</u>	<u>49,049</u>
Shareholders' funds at 1 January	<u>3,680,626</u>	<u>3,631,577</u>
Shareholders' funds at 31 December	<u>3,552,222</u>	<u>3,680,626</u>

18. Operating lease commitments

	2005 Other £'000	2004 Other £'000
Leases that expire:		
Within one year	-	-
Within two to five years	5	5
In five years or more	-	-
	<u>5</u>	<u>5</u>

Joseph Cheaney & Sons Limited

Notes to the accounts Year ended 31 December 2005

19. Capital and other commitments

	2005 £	2004 £
Expenditure contracted but not provided for	<u>213,843</u>	<u>181,764</u>

20. Contingent liabilities

Cross guarantees exist between Joseph Cheaney & Sons Limited, Church & Co (Footwear) Limited, Church & Co plc and Church (UK) Retail Limited in respect of their bank overdrafts. Cross guarantees also exist between the Church & Co plc Group relating to multi-currency loans totalling £nil (2004: £nil).

21. Ultimate parent undertaking

The immediate parent company of Joseph Cheaney and Sons is Church & Co Plc

The smallest group in which the results of Church & Co Plc are consolidated is that headed by Church Holding UK Plc. The largest group in which the results of Church and Co Plc are consolidated is that headed by Equinox Management Company S.C.P.A., incorporated in Luxembourg which is the ultimate parent undertaking and controlling entity. The consolidated financial statements of this group are available to the public and may be obtained from CA Sociale, Boulevard Petrusse, 45-77 L2320 Luxembourg.

22. Related party transactions

The following companies are deemed to be related parties as the Prada group has influence of the product design and operating policies of Joseph Cheaney and Sons. The following companies are all subsidiaries of the Prada group.

Prada Spa

This company undertakes a number of professional services for Joseph Cheaney and Sons. The company sources Italian products on behalf of Joseph Cheaney and Sons.

During the period there were no amounts charged to related parties for services

The following amounts were owed to related parties at:

YEAR ENDED 31 DECEMBER 2005

	Services £000's	Total £000's
Prada Spa	<u>3</u>	<u>3</u>
	<u>3</u>	<u>3</u>