

**Company Registration No. 170349**

**Joseph Cheaney & Sons Limited**

**Report and Financial Statements**

**Year ended 31 January 2008**

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# **Joseph Cheaney & Sons Limited**

## **Report and financial statements 2008**

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# **Joseph Cheaney & Sons Limited**

## **Report and financial statements 2008**

### **Officers and professional advisers**

#### **Directors**

S Etheridge (Chairman)  
D Dickerson  
J D I Church appointed 25<sup>th</sup> May 2007

#### **Secretary**

H Shah

#### **Registered office**

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

#### **Bankers**

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 January 2008

This directors' report has been prepared in accordance with the special provisions relating to small companies under section 246(4) of Companies Act 1985

### **Principal activity**

The company ceased to trade on 31 May 2007. During the first four months of the year the company's principal activity continued to be that of manufacturing and wholesale of footwear.

### **Review of business and future developments**

On 31 May 2007 the assets and trading activity of the company were transferred into Church & Co Ltd (formerly Church & Co Plc). This has resulted in a non-comparable period of four months trading in these financial statements, and will result in future accounts being filed as dormant.

### **Results and dividends**

There was a profit for the period before taxation amounting to £134,003 (2007 - £369,391).

The directors declared and paid a dividend of £3,781,028 (2007 - £nil).

### **Principal risks and uncertainties**

The company's sales in Europe are made in Euros and it is therefore exposed to the movement in the Euro to Pound exchange rate. However the risk is mitigated, as there are also Euro purchases of raw materials. The company does not have any forward hedging contracts.

The availability of key skills in the manufacturing process is another key risk due to the speciality of skills required. The directors are, however, pro-active in this regard and control of this risk and continue to invest in training to mitigate this risk.

### **Employee involvement**

The Company places considerable value on the involvement of its employees and has continued its practice of keeping them informed on matters affecting them as employees and on the status of the Company, throughout the transfer into Church & Co Ltd.

This is achieved through formal and informal meetings as well as a regular internal memorandum for all employees and the use of the Company's intranet.

### **Directors**

The directors who held office throughout the period are given below:

S Etheridge (Chairman)

D Dickerson

### **Political and charitable donations**

The company made no political donations in the current or prior period. Charitable donations made during the period amounted to £538 (2007 - £694).

## Joseph Cheaney & Sons Limited

### Directors' report (continued)

#### Auditors

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

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



H Shah  
Company Secretary

29<sup>th</sup> May 2008

## **Joseph Cheaney & Sons Limited**

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK 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 that 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 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 Ltd for the year ended 31 January 2008, which comprise the profit and loss account, the note of historical cost profit and losses, the balance sheet, and the related notes 1 to 20. 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**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant 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 and are properly prepared in accordance with the Companies Act 1985. We report to you, whether in our opinion, the information given in the directors' report is consistent with the financial statements.

In addition, we report to you if, in our opinion, 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 for the above period and consider the implications for our report if we become aware of any apparent misstatements within it.

### **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 circumstances of the company, 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.

## **Independent auditors' report to the members of Joseph Cheaney & Sons Limited (continued)**

### **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 January 2008 and of its profit for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

### **Emphasis of matter- financial statements prepared on a basis other than that of a going concern**

In forming our opinion on the financial statements, which is not qualified, we have considered the disclosures made in note 1 of the financial statements, which explains that the financial statements have been prepared on a basis other than a going concern

*Deloitte & Touche LLP*

**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors  
London, UK

*30<sup>th</sup> May 2008*



## Joseph Cheaney & Sons Limited

### Profit and loss account Year ended 31 January 2008

	Notes	31 January 2008 £	31 January 2007 £
<b>Turnover – discontinued operations</b>	2	1,929,687	6,548,386
Cost of sales		(1,447,959)	(4,872,235)
<b>Gross profit</b>		481,728	1,676,151
Administrative expenses		(350,971)	(1,329,892)
<b>Operating profit – discontinued operations</b>	3	130,757	346,259
Interest receivable and similar income		3,246	12,349
<b>Profit on ordinary activities before taxation</b>		134,003	358,608
Tax credit on profit on ordinary activities	7	5,879	10,783
<b>Profit for the financial year</b>		139,882	369,391

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

#### Note of historical cost profits and losses

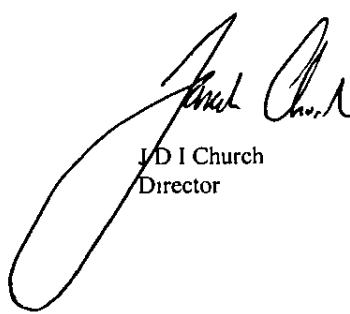
	31 January 2008 £	31 January 2007 £
Reported profit on ordinary activities before taxation	134,003	358,608
Difference between an historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	2,226	2,226
Historical cost profit on ordinary activities before taxation	136,229	360,834
Historical cost profit/(loss) retained after taxation and dividends	142,108	371,617

# Joseph Cheaney & Sons Limited

## Balance sheet As at 31 January 2008

	Notes	31 January 2008 £	31 January 2007 £
<b>Fixed assets</b>			
Tangible fixed assets	8	-	778,361
<b>Current assets</b>			
Stock	9	-	1,638,520
Debtors	10	280,467	2,011,415
Cash at bank and in hand		-	318,841
		280,467	3,968,776
<b>Creditors, amounts falling due within one year</b>	11	-	(761,697)
<b>Net current assets</b>		280,467	3,207,079
<b>Total assets less current liabilities</b>		280,467	3,985,440
<b>Provisions for liabilities</b>	12	-	(63,827)
<b>Net assets</b>		280,467	3,921,613
<b>Capital and reserves</b>			
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	81,846	3,722,992
<b>Shareholders' funds</b>	17	280,467	3,921,613

These financial statements were approved by the Board of Directors on 29<sup>th</sup> May 2008  
Signed on behalf of the Board of Directors

  
J D I Church  
Director

# Joseph Cheaney & Sons Limited

## Notes to the accounts

Year ended 31 January 2008

### 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 period.

#### Basis of preparation

As stated in the directors' report, the company transferred its trade, assets and liabilities to a fellow subsidiary company on 31 May 2007 and has ceased trading. As required by FRS 18 Accounting Policies, the directors have prepared the financial statements on the basis that the company is no longer a going concern. No material adjustments arose as a result of ceasing to apply the going concern basis. All assets and liabilities were transferred to the fellow subsidiary company at their book value.

#### 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:

Land and 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.

#### Defined contribution and Defined benefit pension schemes

The pension costs charged to the profit and loss account represent the amount of the contributions payable to the scheme in respect of the accounting period. (Note 13)

# Joseph Cheaney & Sons Limited

## Notes to the accounts

Year ended 31 January 2008

### 1 Accounting policies (continued)

#### Cash flow statement and related party disclosures

The company is a wholly-owned subsidiary of Church & Co Ltd (formerly Church & Co plc) and is included in the consolidated financial statements of its ultimate parent company, Prada Holding NV, 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) and disclosing trading with related parties under the terms of FRS8.

The company is also exempt under the terms of FRS 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 period, 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.

#### Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on estimated normal selling price less further costs expected to be incurred to completion and sale. Provision is made for obsolete, slow moving or defective items where appropriate.

#### Transfer of assets and trading activities

On 31 May 2007 the assets and trading activity of the company were transferred into Church & Co Ltd (formerly Church & Co plc). This has resulted in a non-comparable period of four months trading in these financial statements.

All assets were transferred at net book value.

### 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:

	31 January 2008 £	31 January 2007 £
United Kingdom	1,312,813	4,222,390
Europe	154,240	444,394
United States of America	105,542	542,917
Other countries	357,092	1,338,685
	<u>1,929,687</u>	<u>6,548,386</u>

# Joseph Cheaney & Sons Limited

## Notes to the accounts

Year ended 31 January 2008

### 3. Operating profit

Operating profit is stated after charging/(crediting),

	31 January 2008 £	31 January 2007 £
Depreciation of tangible fixed assets - owned assets	42,332	125,798
Profit on disposal of fixed assets	-	(6,964)
Hire of machinery and equipment	4,059	16,550
Operating lease rentals	1,212	4,898
Auditors' remuneration		
- fees payable to the company's auditors for the audit of the company's annual accounts	5,333	15,700
- fees payable to the company's auditors for other services	-	8,098
	<u>5,333</u>	<u>23,798</u>

### 4. Directors' emoluments

	31 January 2008 £	31 January 2007 £
Aggregate emoluments	83,188	85,748

During the period 1 director (2007 – 1) was accruing benefits under the group defined benefit scheme

The accrued lump sum for the highest paid director at 31 January 2008 was £27,266 (2007 – £23,527)

### 5. Employee information

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

By activity	31 January 2008 No	31 January 2007 No
Production	134	124
Selling and distribution	4	3
Administration	8	17
	<u>146</u>	<u>144</u>

The 2008 figures are the monthly average number of employees during the first four months of trading only

# Joseph Cheaney & Sons Limited

## Notes to the accounts Year ended 31 January 2008

### 6 Employee costs

	31 January 2008	31 January 2007
	£	£
Wages and salaries	868,944	2,679,439
Social security costs	73,845	216,340
Other pension costs	42,131	139,125
	<u>984,920</u>	<u>3,034,904</u>
Staff costs		

### 7 Tax credit/(charge) on profit on ordinary activities

	31 January 2008	31 January 2007
	£	£
United Kingdom corporation tax at 30% (2007 – 30%) based on the profit for the period		
- current tax	(43,625)	(47,260)
- deferred tax	2,244	(10,865)
Under/(over) provision in respect of prior years		
- current tax	47,260	66,638
- deferred tax	-	2,270
	<u>5,879</u>	<u>10,783</u>

The tax assessed for the period is lower than that resulting from applying the standard rate of corporation tax in the UK of 30% (2007 30%) The differences are explained below

	£	£
Profit on ordinary activities before taxation	<u>134,003</u>	<u>358,608</u>
Tax at 30% thereon	(40,200)	(107,582)
Expenses not deductible for tax purposes	(1,179)	(10,200)
Capital allowances in excess of depreciation	(2,246)	10,865
Movement in short term timing differences	-	-
Group relief not paid for	-	59,657
Prior period adjustments	47,260	66,638
	<u>3,635</u>	<u>19,378</u>
Total current tax credit/(charge)		

# Joseph Cheaney & Sons Limited

## Notes to the accounts Year ended 31 January 2008

### 8 Tangible fixed assets

	Land and buildings £	Plant and machinery £	Motor vehicles £	Total £
<b>Cost</b>				
At 1 January 2007	314,240	1,251,543	117,604	1,683,387
Additions	-	22,565	-	22,565
Disposals	(314,240)	(1,274,108)	(117,604)	(1,705,952)
At 31 January 2008	-	-	-	-
<b>Accumulated depreciation</b>				
At 1 January 2007	71,612	796,661	36,753	905,026
Charge for the period	2,643	29,889	9,800	42,332
Disposals	(74,255)	(826,550)	(46,553)	(947,358)
At 31 January 2008	-	-	-	-
<b>Net book value</b>				
At 31 January 2008	-	-	-	-
At 31 January 2007	242,628	454,882	80,851	778,361

The figures stated above include the following

	<b>Freehold land and buildings</b>	
	<b>31 January 2008</b>	<b>31 January 2007</b>
	<b>£</b>	<b>£</b>
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

	<b>31 January 2008</b>	<b>31 January 2007</b>
	<b>£</b>	<b>£</b>
Cost	243,365	243,365
Accumulated depreciation	(91,898)	(86,025)
Net book amount	<u>151,467</u>	<u>157,340</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 January 2008

### 9 Stock

	31 January 2008	31 January 2007
	£	£
Raw materials and consumables	-	474,908
Work in progress	-	446,629
Finished goods and goods for resale	-	716,983
	<u>-</u>	<u>1,638,520</u>

### 10 Debtors

	31 January 2008	31 January 2007
	£	£
Trade debtors	-	1,187,459
Amounts owed by group undertakings	280,467	784,386
Other debtors	-	2,130
Prepayments and accrued income	-	37,440
	<u>280,467</u>	<u>2,011,415</u>

### 11 Creditors amounts falling due within one year

	31 January 2008	31 January 2007
	£	£
Trade creditors	-	212,647
Amounts due to group undertakings	-	113,941
Corporation tax payable	-	47,260
Other taxation and social security	-	146,514
Other creditors	-	22,159
Accruals and deferred income	-	219,176
	<u>-</u>	<u>761,697</u>



# Joseph Cheaney & Sons Limited

## Notes to the accounts Year ended 31 January 2008

### 12 Provisions for liabilities

Deferred taxation	£	
1 February 2007	63,827	
Charged to the profit and loss account	(2,244)	
Transferred out	(61,583)	
	<u>          </u>	
At 31 January 2008	-	
	<u>          </u>	
	<b>31 January 2008</b>	<b>31 January 2007</b>
	<b>£</b>	<b>£</b>
<b>Deferred taxation provided in the accounts comprises</b>		
Capital allowances in excess of depreciation	-	63,827
	<u>          </u>	<u>          </u>

### 13 Pension commitments

#### Defined Benefit Schemes

The company participates in the Church & Co Ltd Staff and Works Retirement Benefit Schemes. These are defined benefit multi-employer schemes, the assets and liabilities of which are administered by trustees in funds independent from those of the Church's Group.

The company is unable to identify its share of the underlying assets and liabilities of the schemes and accordingly accounts for the schemes as if they were defined contribution schemes.

A summary of the FRS 17 actuarial valuation for each of the schemes is given below.

	Staff Pension scheme			Works Pension scheme		
	2008	2007	2005	2008	2007	2005
	£'000	£'000	£'000	£'000	£'000	£'000
Total fair value of assets	26,311	25,833	24,698	6,827	6,537	6,484
Present value of scheme liabilities	(27,313)	(26,951)	(26,855)	(4,767)	(4,893)	(4,864)
FRS 17 net asset restriction	-	-	-	(617)	-	-
Related deferred tax asset	301	335	647	(433)	(493)	(486)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net pension (deficit)/asset</b>	<b>(701)</b>	<b>(783)</b>	<b>(1,510)</b>	<b>1,010</b>	<b>1,151</b>	<b>1,134</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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

Contributions to the schemes in the period were £39,910 (2007: £124,211). An updated valuation of the scheme at 31 January 2008 indicates that the scheme was 96% funded.

#### Defined Contribution Scheme

The company is party to a group defined contribution pension scheme. The assets of the schemes are administered by trustees in funds independent from those of the company. The pension charge in the period was £1,125 (2007: £2,969).

# Joseph Cheaney & Sons Limited

## Notes to the accounts Year ended 31 January 2008

### 14 Dividends

	31 January 2008	31 January 2007
	£	£
90,094 ordinary shares of £41 9676 each	3,781,028	-

### 15 Called up share capital

	31 January 2008	31 January 2007
	£	£
<b>Authorised:</b>		
100,000 ordinary shares of £1 each	100,000	100,000
<b>Allotted, called up and fully paid</b>		
90,094 ordinary shares of £1 each	90,094	90,094

### 16 Reserves

	Share premium account	Profit and loss account	Revaluation reserve
	£	£	£
At 1 February 2007	5,000	3,722,992	103,527
Retained profit for the financial year	-	139,882	-
Dividend paid	-	(3,781,028)	-
At 31 January 2008	5,000	81,846	103,527

### 17 Reconciliation of movements in shareholders' funds

	31 January 2008	31 January 2007
	£	£
Profit for the year	139,882	369,391
Dividend	(3,781,028)	-
<b>Net movement in shareholders' funds</b>	<b>(3,641,146)</b>	<b>369,391</b>
Shareholders' funds at start of period	3,921,613	3,552,222
<b>Shareholders' funds at end of period</b>	<b>280,467</b>	<b>3,921,613</b>

## Joseph Cheaney & Sons Limited

### Notes to the accounts Year ended 31 January 2008

#### 18 Operating lease commitments

	31 January 2008 £'000	31 January 2007 £'000
Leases that expire		
Within one year	-	-
Within two to five years	-	5
	<u>-</u>	<u>5</u>

#### 19 Capital and other commitments

	31 January 2008 £	31 January 2007 £
Expenditure contracted but not provided for	-	202,404
	<u>-</u>	<u>202,404</u>

#### 20 Ultimate parent undertaking

The immediate parent company of Joseph Cheaney & Sons Limited is Church & Co Ltd (formerly Church & Co plc)

The largest and smallest group in which the results of Church & Co Ltd are consolidated is that headed by Prada Spa, the ultimate parent company and controlling party, incorporated in Italy