

2499732

**SOCK SHOP HOLDINGS LIMITED**

**REPORT AND ACCOUNTS**

**27 FEBRUARY 1993**



\*A7RPG201\*

A16 REC IPT DATE: 11/06/94

SOCK SHOP HOLDINGS LIMITED

DIRECTORS

Roland Denning  
Juan Olaso  
Barclay Douglas  
Alan Jones  
David MacLellan  
Christopher Smith

Chairman  
Chief Executive  
Finance Director and Company Secretary  
Retail Director  
Non executive  
Non executive

REGISTERED OFFICE AND HEAD OFFICE

20 Nelson Way  
Yorktown  
Camberley  
GU15 3DW

Registered in England: Number 2499732

AUDITORS

Price Waterhouse  
32 London Bridge Street  
London SE1 9SY

BANKERS

Bank of Scotland  
38 Threadneedle Street  
London EC2P 2EH

Girobank  
30 West Drive  
Brighton

SOLICITORS

McGrigor Donald  
63 Queen Victoria Street  
London EC4N 4ST

SOCK SHOP HOLDINGS LIMITED

CHAIRMAN'S STATEMENT

1992 was a very difficult year for Sock Shop. Britain's unexpected withdrawal from the ERM in September 1992 had a dramatic impact upon consumer spending and this depressed our trading in the normally busy autumn/winter season. These events combined with the continuing recession resulted in a loss for the year.

Results

The Group loss before taxation and exceptional items for the year was £1,850,667 on turnover of £24,218,568. This compares to the previous year's profit before taxation of £365,603 on turnover of £24,862,775. Increased interest charges of £877,706, compared to £361,836 in the previous year, were a significant element within these losses.

By 27 February 1993 Sock Shop was trading from 101 shops compared to 89 during the previous year.

Current Trading and Prospects


Trading continued to be difficult during 1993 as the expected recovery from recession failed to materialise. However, I am pleased to report that trading has improved during the new financial year and that with the support of our Shareholders and Bankers, we are emerging intact from the recession. It was necessary in December 1993 for our Shareholders to inject £2 million of funding into the business and restructure the existing debt. This was followed by further investments totalling £1 million during March and May 1994. This has secured the working capital facility from our Bankers for the next year and puts the Group in a position to move forward and take advantage of the improvement in trading.

During 1993 the performance of the French subsidiary was severely impacted by the recession. With no foreseeable end to the French recession it was decided to place the French subsidiary into judicial administration on 17 February 1994 to prevent further losses.

The first franchise operation was established in November 1993 in Copenhagen and it is expected that a second opening will take place there during this summer. As and when the rest of Europe emerges from recession a number of other Franchise opportunities will be developed.

Opportunities to open more sites in the UK are being investigated but our current representation is such that only a modest number of key locations are likely to be acquired.

On behalf of the Board, I wish to thank our management and staff for their dedication and enthusiasm displayed and in particular to acknowledge the support of our Shareholders during such a difficult time for the Group. Their continuing financial support demonstrates their commitment to the business and their confidence in its future.

  
Roland J Denning  
Chairman

## SOCK SHOP HOLDINGS LIMITED

### DIRECTORS' REPORT FOR YEAR TO 27 FEBRUARY 1993

The directors have pleasure in submitting their report and audited accounts for the year ended 27 February 1993.

#### PRINCIPAL ACTIVITIES

The principal activity of the Group is the retailing of socks, hosiery, underwear and fashion accessories.

#### PROFITS AND DIVIDENDS

The group loss on ordinary activities before taxation was £1,850,662 (1992 - Profit of £365,683). No dividend is proposed and the retained loss after taxation of £1,875,115 (1992 - Profit of £365,683) has been transferred to reserves.

#### REVIEW OF THE BUSINESS

A detailed review of trading and future developments is contained in the Chairman's Statement.

#### FIXED ASSETS

Details of movements in tangible fixed assets during the year are given in Note 10 of the accounts.

#### SHARE CAPITAL

Details of the share capital are set out in Note 18 of the accounts.

#### DIRECTORS AND SIGNIFICANT INTERESTS

The directors in office at 27 February 1993 who served throughout the year and their beneficial interests in the share capital of the Company were:-

	Ordinary shares of £1 each	B Redeemable Ordinary Shares of £1 each
Juan Olaso	250,000	12,500
Barclay Douglas	160,000	17,035
Roland Denning	-	27,661
William Fitch (resigned 27 November 1992)		66,326
Richard Pears (resigned 27 November 1992)		40,000
David MacLellan (appointed 27 November 1992)		-

Roland Denning was elected Chairman on 27th November 1992. Subsequent to the year-end Alan Jones and Christopher Smith were appointed as directors of the Company on 27th January 1994, as retail director and non-executive director respectively.

## SOCK SHOP HOLDINGS LIMITED

### DIRECTORS' REPORT FOR YEAR TO 27 FEBRUARY 1993 (Contd)

#### DIRECTORS AND SIGNIFICANT INTERESTS (Contd)

At 27 February 1993 there were the following holdings in excess of 3% of the issued share capital of the Company:-

	Number of A Redeemable Ordinary Shares of £1 each	Number of B Redeemable Ordinary Shares of £1 each	% of issued Share Capital
Murray Johnstone LBO Fund LP	442,450	-	34.2
Murray Ventures PLC	175,560	-	13.6
Murray Enterprise PLC	58,520	-	4.5

On the 1 March 1993 the B Redeemable Ordinary shares held by Mr William Fitch and Mr Richard Pears were purchased by:

Murray Johnstone LBO Fund LP	69,537
Murray Ventures PLC	27,592
Murray Enterprises PLC	9,197

#### TAX STATUS

The Company is a close company within the provisions of the Income and Corporation Taxes Act 1988.

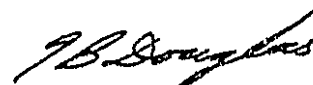
#### EMPLOYMENT POLICIES

It is the policy of the Group that there should be no unfair discrimination in considering applications for employment, including those from disabled persons. Should any employee become disabled every practical effort is made to provide continued employment.

The directors are committed to maintain and develop communication and consultation procedures with employees, who in turn are encouraged to become aware of and involve themselves in the performance of their own company and of the Group as a whole. Consultation and involvement policies vary from country to country according to local customs, legal considerations and the size of the business.

#### AUDITORS

In accordance with Section 385(1) of the Companies Act 1985 a resolution to reappoint Price Waterhouse as auditors at a remuneration to be agreed by the Directors will be placed before the Annual General Meeting of the Company.



26 May 1994

BY ORDER OF THE BOARD  
Barclay Douglas  
Secretary

SOCK SHOP HOLDINGS LIMITED

AUDITORS' REPORT TO THE MEMBERS OF SOCK SHOP HOLDINGS LIMITED

We have audited the financial statements on pages 6 to 21 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 27 February 1993 and of the loss and cash flow statement of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Price Waterhouse*

PRICE WATERHOUSE

26 May 1994

Chartered Accountants  
and Registered Auditors  
32 London Bridge Street  
London SE1 9SY

SOCK SHOP HOLDINGS LIMITED

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR TO 27 FEBRUARY 1993

	<u>Note</u>	<u>1993</u> £	<u>1992</u> £
Turnover	2	24,218,568	24,862,775
Cost of sales		21,363,512	20,924,134
Gross profit		2,855,056	3,938,641
Distribution costs		478,202	561,007
Administration costs		3,349,810	2,650,115
Operating profit	2/5	(972,956)	727,519
Net interest payable	6	877,706	361,836
Loss\Profit on ordinary activities		(1,850,662)	365,683
Exceptional items	7	-	-
Loss\Profit before taxation		(1,850,662)	365,683
Taxation	8	24,453	-
Loss\Profit after taxation attributable to members of Holding Company		(1,875,115)	365,683
Dividends		-	-
Amounts transferred from\to reserves	19	(1,875,115)	365,683

The notes on pages 11 to 21 form part of these accounts

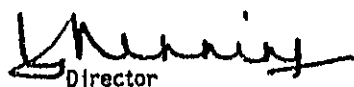
SOCK SHOP HOLDINGS LIMITED

GROUP BALANCE SHEET AS AT 27 FEBRUARY 1993

	<u>Note</u>	<u>1993</u> £	<u>1992</u> (restated) £
<b>FIXED ASSETS</b>			
Intangible assets	9	46,336	14,963
Tangible assets	10	4,998,072	4,588,393
		5,044,408	4,603,356
<b>CURRENT ASSETS</b>			
Stocks	12	2,699,752	2,398,511
Debtors	13	955,147	879,908
Cash at bank and in hand		-	813,808
		3,654,899	4,092,227
CREDITORS (amounts falling due within one year)	14	4,193,261	3,225,897
Bank Overdraft		924,590	-
NET CURRENT ASSETS\LIABILITIES		(1,462,952)	866,330
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
CREDITORS (amounts falling due after more than one year)	15	3,581,456	5,469,686
		3,383,470	3,400,464
TOTAL NET ASSETS		197,986	2,069,222
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	1,993,264	1,993,264
Profit and loss account	19	(1,795,278)	75,958
CAPITAL EMPLOYED		197,986	2,069,222

These accounts were approved by the Board of Directors on 26 May 1994

R Denning

  
Director

The notes on pages 11 to 21 form part of these accounts



SOCK SHOP HOLDINGS LIMITED

COMPANY BALANCE SHEET AS AT 27 FEBRUARY 1993

	<u>Note</u>	<u>1993</u> £	<u>1992</u> (restated) £
<b>FIXED ASSETS</b>			
Intangible assets	9	46,336	14,963
Tangible assets	10	3,918,100	3,635,575
Investments	11	5	218,701
		<u>3,964,441</u>	<u>3,869,239</u>
<b>CURRENT ASSETS</b>			
Stocks	12	2,543,036	2,266,921
Debtors	13	1,320,136	789,879
Cash at bank and in hand		-	779,097
		<u>3,863,172</u>	<u>3,835,897</u>
<b>CREDITORS (amounts falling due within one year)</b>	14	3,717,576	2,743,344
Bank Overdraft		1,058,642	
<b>NET CURRENT ASSETS\LIABILITIES</b>		<u>(913,046)</u>	<u>1,092,553</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		3,051,395	4,961,792
<b>CREDITORS (amounts falling due after more than one year)</b>	15	3,383,470	3,400,464
<b>NET ASSETS</b>		<u>(332,075)</u>	<u>1,561,328</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	1,993,264	1,993,264
Profit and loss account	19	(2,325,339)	(431,936)
		<u>(332,075)</u>	<u>1,561,328</u>

These accounts were approved by the Board of Directors on 26 May 1994

R Denning

  
Director

The notes on pages 11 to 21 form part of these accounts

SOCK SHOP HOLDINGS LIMITED

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 27 FEBRUARY 1993

	1993 £	1992 £
Net cash (outflow)/inflow from operating activities	(469,601)	766,698
Returns on investments and services of finance		
Interest received	6,385	159,912
Interest paid	(448,369)	(463,135)
Interest element of finance leases	(6,075)	(6,075)
Net cash outflow from returns on investments and servicing of finance	(448,059)	(309,298)
Taxation		
Corporation tax paid (inc ACT)	0	0
Investing activities		
Payments to acquire intangible fixed assets	(31,373)	(53,859)
Payments to acquire tangible fixed assets	(789,365)	(1,506,015)
Receipts from sales of tangible fixed assets		69,321
Acquisition of group undertaking		(143,748)
	(820,738)	(1,634,301)
Net cash (outflow) before financing	(1,738,398)	(1,176,901)
Financing		
Issue of ordinary share capital	0	9,082
Repayment of debenture loan	0	(1,250,000)
Net cash outflow from financing	0	(1,240,918)
Decrease in cash and cash equivalents	(1,738,398)	(2,417,819)

Notes to the cash flow statement

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1993 £	1992 £
Operating profit (loss)	(972,956)	727,519
Depreciation charges	643,512	299,072
Loss on disposal of tangible fixed assets	0	(58,786)
Increase in stocks	(301,241)	(736,983)
Increase in debtors	(75,239)	(335,906)
Increase in creditors	236,323	871,782
Net cash inflow from operating activities	(469,601)	766,698

SOCK SHOP HOLDINGS LIMITED

GROUP CASH FLOW STATEMENT (CON'T) FOR THE YEAR ENDED 27 FEBRUARY 1993

2. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	1993	1992
	£	£
Opening balance	813,808	3,231,627
Net cash inflow (outflow)	(1,738,398)	(2,417,819)
Closing balance	(924,590)	813,808

3. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

	1993	1992	Change in year
	£	£	£
Cash at bank and in hand	0	813,808	(813,808)
Bank overdraft	(924,590)	0	(924,590)
	(924,590)	813,808	(1,738,398)

4. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital	Debenture loan
	£	£
Balance at 1 March 1992	1,993,264	3,383,470
Cash flow inflow/(outflow) from financing	0	0
Balance 27 February 1993	1,993,264	3,383,470

# SOCK SHOP HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS FOR THE YEAR TO 27 FEBRUARY 1993

### 1. STATEMENT OF ACCOUNTING POLICIES

#### Accounting Convention

The accounts are prepared under the historical cost convention, and in accordance with applicable accounting standards in the United Kingdom. A summary of the more important group accounting policies is set out below.

#### Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Sock Shop Holdings Limited (The Company) and its wholly owned subsidiaries. The consolidated profit and loss account includes the accounts of the French subsidiary Sock Shop International SARL for the twelve month period ended 27 February 1993 and of Promosockshop SA for the twelve month period ended 27 February 1993.

#### Turnover

Turnover comprises total sales of the group for the period less returns, exclusive of value added tax and intercompany sales.

#### Cost of Sales

Cost of sales comprises the cost of goods sold together with shop running costs.

#### Fixed Assets

##### Intangible assets

Trademarks are carried at cost. All other items are expensed in the profit and loss account in the period in which they are incurred. This represents a change in policy from prior years when these items were capitalised. (See note 19)

##### Tangible assets

Tangible assets, including leasehold properties, are carried at cost less accumulated depreciation and amortization. All assets are depreciated using the straight line method over their estimated useful lives. The useful life of leasehold properties is the expiry date of the lease, or, in the case of properties covered by the Landlord & Tenant Act 1954 Part II, the expiry date plus fourteen years. Applicable depreciation rates are as follows:-

Motor vehicles	3 years
Fixtures and fittings	5 years
Computer equipment	3 years
EPoS system	5 years

#### Stock

Stock for resale is stated at the lower of cost and net realisable market value, determined on a

SOCK SHOP HOLDINGS LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR TO 27 FEBRUARY 1993

1. STATEMENT OF ACCOUNTING POLICIES (Contd)

Foreign Currency

The results of overseas subsidiary companies are translated into sterling at the average rates of exchange during the period and their Balance Sheets at rates prevailing at the Balance Sheet date.

Exchange differences arising from the translation of the net assets of the subsidiaries are taken directly to reserves.

Operating Leases

Rentals payable in respect of operating leases are charged to revenue on a straight line basis over the term of the lease.

The benefits of reverse premiums and rent free periods are taken to the profit and loss account in the period that they are received.

2. SEGMENTAL ANALYSIS OF TURNOVER AND OPERATING PROFITS

Turnover by geographical origin to third parties is as follows:-

	Turnover		Operating Profit (Loss)	
	<u>1993</u>	<u>1992</u>	<u>1993</u>	<u>1992</u>
	£	£	£	£
UK and Republic of Ireland	21,992,745	22,337,613	(1,915,699)	636,675
France	2,225,823	2,525,162	42,743	90,844
	-----	-----	-----	-----
Total	24,218,568	24,862,775	(972,956)	727,519
	=====	=====	=====	=====

3. STAFF COSTS

	<u>1993</u>	<u>1992</u>
	£	£
Wages and salaries	5,035,413	4,535,036
Social security costs	628,362	573,763
Other pension costs	4,671	5,006
	-----	-----
	5,668,446	5,113,805
	=====	=====

The average number of employees, including Directors, in the company throughout the period was 531, of which 501 were in the UK and Republic of Ireland and 30 in France. These numbers include part-time employees.

NOTES TO THE ACCOUNTS FOR THE YEAR TO 27 FEBRUARY 1993

4. DIRECTORS' EMOLUMENTS

The emoluments of the directors were as follows:-

	<u>1993</u> £	<u>1992</u> £
Fees	16,500	32,000
Other emoluments	197,250	187,500
	<u>213,750</u>	<u>219,500</u>

The emoluments and fees of the directors of the company in respect of duties wholly or mainly discharged in the UK were as follows:-

	<u>1993</u> £	<u>1992</u> £
Chairman	14,000	20,000
Highest paid director	98,625	93,750

	<u>1993</u> <u>Number</u>	<u>1992</u> <u>Number</u>
Other Directors		
Up to £5,000	1	-
£5,001 to £15,000		1
£20,001 to £30,000		-
£90,001 to £95,000		1
£95,001 to £100,000	1	

During the period a total of £9,000 was paid to Crosshaven Group UK Limited in respect of the services provided by Mr William Fitch as a Director. An Ex-gratia payment of £6,000 was also made when Mr Fitch ceased to be a Director. Sock Shop holdings also paid £15,000 to Elmley Business Services in respect of serviced provided by Mr Richard Pears as a Director. An Ex-gratia payment of £10,000 was also made when Mr Pears ceased to be a Director. These amounts are not included in the above figures.

SOCK SHOP HOLDINGS LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR TO 27 FEBRUARY 1993

5. OPERATING PROFIT

Operating profit is stated after charging the following costs:-

	<u>1993</u>	<u>1992</u>
	£	£
Depreciation - owned assets	627,241	282,801
Depreciation - assets held under finance lease	16,271	16,271
Other operating lease rentals	76,857	70,729
Auditors' remuneration	49,594	42,199
Other fees paid to Company Auditors	9,600	7,500
Rent paid	4,755,069	3,832,717
Rent received	65,845	65,895

Sock Shop Holdings Limited has not presented its own Profit and Loss account as permitted by Section 230 (3) of the Companies Act 1985. The holding company's Profit and Loss account was approved by the Board on 26 May 1994. The amount of the holding company's loss after taxation for the Financial Year is £1,893,403.

6. NET INTEREST PAYABLE

	<u>1993</u>	<u>1992</u>
	£	£
Interest payable on borrowings repayable within five years	707,630	515,673
Penalty interest on debenture	175,000	
Finance lease charges	6,075	6,075
	888,705	521,748
Interest receivable	10,999	159,912
	877,706	361,836

7. EXCEPTIONAL ITEMS

There were no exceptional costs incurred during the current year.

SOCK SHOP HOLDINGS LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR TO 27 FEBRUARY 1993

8. TAXATION

	<u>1993</u>	<u>1992</u>
	£	£
UK corporation tax at 33%	-	-
Advance corporation tax	-	-
	-----	-----
Overseas taxation	24,453	-
	-----	-----
	<u>24,453</u>	<u>-</u>

9. INTANGIBLE ASSETS

Patents, Trademarks and Brand	<u>Group</u>	<u>Company</u>
	£	£
Cost at 29 February 1992	720,608	718,542
Prior year adjustment	(705,645)	(703,579)
	-----	-----
At 1 March 1992	14,963	14,963
Additions	31,373	31,373
	-----	-----
Book value at 27 February 1993	46,336	46,336
Less accumulated depreciation	-	-
	-----	-----
Net book value at 27 February 1993	<u>46,336</u>	<u>46,336</u>

The prior year adjustment is a result of a fundamental change in accounting policy. In previous years intangible assets were capitalised in the balance sheet at cost. In future trademarks will be capitalised and all other items of an intangible nature will be expensed in the profit and loss account in the year in which they are incurred.

The Directors are of the opinion that the value of intangible assets is not less than cost.



SOCK SHOP HOLDINGS LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR TO 27 FEBRUARY 1993

10. TANGIBLE ASSETS

<u>Group</u>	<u>Short Leasehold Properties</u> £	<u>Motor Vehicles</u> £	<u>Fixtures &amp; Fittings</u> £	<u>Computer Equipment</u> £	<u>EPOS System</u> £	<u>Total</u> £
Book value at 29 February 1992	2,959,481	81,472	948,861	171,342	857,546	5,018,702
Exchange Movement	204,888	-	37,890	12,905	-	255,683
Additions	130,931	1,037	610,950	38,080	48,947	829,945
Disposals	-	-	73,706	1,582	-	75,288
At 27 February 1993	3,295,300	82,509	1,523,995	220,745	906,493	6,029,042
Less accumulated depreciation b/f	147,229	28,458	208,464	46,158	-	430,309
Exchange Movement	9,014	-	20,458	1,383	-	30,855
Disposals	-	-	73,706	-	-	73,706
Charge for year	132,486	27,188	318,860	46,670	118,308	643,512
Accumulated depreciation at 27 February 1993	288,729	55,646	474,076	94,211	118,308	1,030,970
Net book value at 27 February 1993	3,006,571	26,863	1,049,919	126,534	788,185	4,998,072
Net book value at 29 February 1992	2,812,252	53,014	740,397	125,184	857,546	4,588,393
<u>Company</u>	<u>Leasehold Properties</u> £	<u>Motor Vehicles</u> £	<u>Fixtures &amp; Fittings</u> £	<u>Computer Equipment</u> £	<u>EPOS System</u> £	<u>Total</u> £
Book value at 29 February 1992	2,091,168	81,472	788,285	116,652	857,546	3,935,123
Additions	130,931	1,037	545,374	35,251	48,947	761,540
Disposals	-	-	-	660	-	660
At 27 February 1993	2,222,099	82,509	1,333,659	151,243	906,493	4,695,003
Less accumulated depreciation b/f	109,029	28,458	121,763	40,298	-	299,548
Disposals	-	-	-	-	-	-
Charge for year	75,805	27,188	213,362	43,692	118,308	478,355
Accumulated depreciation at 27 February 1993	184,834	55,646	335,125	83,990	118,308	777,903
Net book value at 27 February 1993	2,037,265	26,863	998,534	67,253	788,185	3,918,100
Net book value at 29 February 1992	1,982,139	53,014	666,522	76,354	857,546	3,635,575

SOCK SHOP HOLDINGS LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR TO 27 FEBRUARY 1993

10. TANGIBLE ASSETS (Contd)

Included within the net book value of motor vehicles at 27 February 1993 were assets totalling £20,380 held by the Group under Finance Lease, cost price £49,308 accumulated depreciation £28,928.

11. INVESTMENTS

<u>Company</u>	<u>Loans to group undertakings</u>	<u>Shares in group undertakings</u>	<u>Total</u>
	£	£	£
<u>Cost and net book value</u>			
Balance brought forward	218,697	4	218,701
Additions		1	1
Repayment	218,697	-	218,697
	-----	-----	-----
At 27 February 1993	0	5	5
	-----	-----	-----

12. STOCKS

	<u>Group</u>		<u>Company</u>	
	<u>1993</u>	<u>1992</u>	<u>1993</u>	<u>1992</u>
	£	£	£	£
Finished goods for resale	2,699,752	2,398,511	2,543,036	2,266,921
	-----	-----	-----	-----

SOCK SHOP HOLDINGS LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR TO 27 FEBRUARY 1993

13. DEBTORS

	Group		Company	
	<u>1993</u>	<u>1992</u>	<u>1993</u>	<u>1992</u>
	£	£	£	£
Amounts owed by group undertakings	-	-	577,541	92,126
Equipment/rent deposits	143,225	40,719	15,719	40,719
Prepayments and accrued income	725,984	622,600	661,867	503,115
Other debtors	85,938	216,589	65,009	153,919
	<u>955,147</u>	<u>879,908</u>	<u>1,320,136</u>	<u>789,879</u>

14. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	<u>1993</u>	<u>1992</u>	<u>1993</u>	<u>1992</u>
	£	£	£	£
Finance lease obligations - Note 17	23,118	15,600	23,118	15,600
Trade creditors	2,087,763	1,466,777	1,713,949	1,274,049
Other creditors	-	-	-	-
Taxation and social security	620,872	974,607	576,604	808,021
Accruals and deferred income	1,461,508	768,913	1,403,905	645,674
	<u>4,193,261</u>	<u>3,225,897</u>	<u>3,717,576</u>	<u>2,743,344</u>

15. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	<u>1993</u>	<u>1992</u>	<u>1993</u>	<u>1992</u>
	£	£	£	£
Debenture loans - Note 16	3,383,470	3,383,470	3,383,470	3,383,470
Finance lease obligations - Note 17	-	16,994	-	16,994
	<u>3,383,470</u>	<u>3,400,464</u>	<u>3,383,470</u>	<u>3,400,464</u>

# SOCK SHOP HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS FOR THE YEAR TO 27 FEBRUARY 1993

### 16. DEBENTURE LOANS

	Group		Company	
	<u>1993</u>	<u>1992</u>	<u>1993</u>	<u>1992</u>
	£	£	£	£
Debenture stock 1991-93	3,383,470	3,383,470	3,383,470	3,383,470

The debenture is secured by a fixed and floating charge over the assets of Sock Shop Holdings Limited and the shareholding in its subsidiary Sock Shop International SARL.

The current coupon rates for the debentures are as follows:

£1,750,000 at 20%  
£1,633,470 at 16%

In addition there was a 10% penalty for non repayment in June 1992 on the £1.75m, the penalty is charged annually if not repaid by the anniversary. See Note 23 regarding the restructuring of the debentures subsequent to year end.

### 17. LEASE OBLIGATIONS

	Group		Company	
	<u>1993</u>	<u>1992</u>	<u>1993</u>	<u>1992</u>
	£	£	£	£
Finance leases due (net of finance charges allocated to future periods):				
Falling due within one year	23,118	15,600	23,118	15,600
Falling due between one and five years	-	16,994	-	16,994
	<u>23,118</u>	<u>32,594</u>	<u>23,118</u>	<u>32,594</u>

At 27 February 1993 Sock Shop had commitments to make payments during the next twelve months under non-cancellable operating leases for land and buildings as follows:-

	Group	Company
	£	£
Falling due within one year	689,000	689,000
Falling due between one and five years	1,589,519	1,589,519
Falling due after five years	3,552,939	3,038,939
	<u>5,831,458</u>	<u>5,317,458</u>

# SOCK SHOP HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS FOR THE YEAR TO 27 FEBRUARY 1993

### 18. CALLED UP SHARE CAPITAL

	<u>Authorised</u>	<u>Issued and fully paid 1993</u>	<u>Issued and fully paid 1992</u>
Ordinary shares of £1 each	410,000	410,000	410,000
A Redeemable Ordinary shares of £1 each Redeemable at par	676,530	676,530	676,530
B Redeemable Ordinary shares of £1 each Redeemable at par	240,000	206,734	206,734
12½% Cumulative Redeemable Preference shares of £1 each	700,000	700,000	700,000
	<u>2,026,530</u>	<u>1,993,264</u>	<u>1,993,264</u>

The preference shares are redeemable at par on 30 June 1995. If the preference shares cannot or are not redeemed by the Company on this date the redemption price increases in accordance with the provisions of the Articles of Association. They may be redeemed at par any time up to 30 June 1995.

### 19. PROFIT AND LOSS ACCOUNT

	<u>Group</u> £	<u>Company</u> £
At 29 February 1992 as previously reported	781,603	271,643
Prior year adjustment (See note 9)	(705,645)	(703,579)
	<u>75,958</u>	<u>(431,936)</u>
At 1 March 1992 as restated	75,958	(431,936)
Profit/Loss for year	(1,875,115)	(1,893,403)
Exchange movement	3,879	
	<u>(1,795,278)</u>	<u>(2,325,339)</u>
At 27 February 1993	(1,795,278)	(2,325,339)

The prior year adjustment is a result of a fundamental change in accounting policy. In previous years intangible assets were capitalised in the balance sheet at cost. In future trademarks will be capitalised and all other items of an intangible nature will be expensed in the profit and loss account in the year in which they are incurred.

The adjustment has no effect on the reported results of either of the years under review. Intangible assets of £705,645 for the Group and £703,579 for the Company, previously carried in the balance sheet have therefore been written off against retained profits at March 1991.

## SOCK SHOP HOLDINGS LIMITED

### NOTES TO THE ACCOUNTS FOR THE YEAR TO 27 FEBRUARY 1993

#### 20. CONTINGENT LIABILITIES

The Articles of Association provide for the payment of dividends on Ordinary shares, Series A Redeemable Ordinary shares, Series B Redeemable Ordinary shares and Preference shares from the date of issue of the shares. The cumulative amount payable is £434,457 (net of ACT).

The Board and the Company's shareholders consider it to be inappropriate to declare a dividend at the present time. This position will be kept under review in the light of current and future trading performance.

#### 21. PRINCIPAL INTERESTS IN UNDERTAKINGS

	<u>Country of Incorporation</u>	<u>Proportion of Nominal Value of Shares Held</u>
Sock Shop International SARL	France	100%
Promosockshop SA	France	100%
Placeclean Ltd	United Kingdom	100%

Sock Shop International SARL operates exclusively in France as a retailer of socks, hosiery and underwear. Promosockshop SA is owned 100% by Sock Shop International SARL, and holds the leases on a number of the operating units in France. Placeclean Ltd, which is owned 100% by Sock Shop Holdings Ltd, is a dormant company. Placeclean is registered in England.

#### 22. PENSIONS

The Company contributes to individual personal pension plan in respect of eligible employees. The Company contribution for the year was £4,671.

#### 23. POST BALANCE SHEET EVENTS

1. The poor trading performance during 1992 and 1993 necessitated a financial restructuring of the business in December 1993. This involved the conversion of £2.88 million of the Debenture stock 1991-93 and accrued interest of £1.24 million into 1.5 million New Preference Shares with a nominal value of £1.5m and a share premium of £2.62m. This leaves £500,000 of the Debenture stock 1991-93 outstanding which is now due for repayment no later than 30 December 1998 at a 50% coupon rate. £2 million of New Loan stock was subscribed by existing shareholders at the time of the reconstruction, following which further tranches totalling £1 million were subscribed by May 1994. This included the conversion of the total preference shares of 2.2m to ordinary shares. The £3m of new loan stock attracts a 10% coupon rate.
2. Due to the severe impact of the recession in France during 1993, the Directors decided to place the French subsidiary into judicial administration on 17 February 1994. The company is being run jointly by Sock Shop and an official appointed by the courts. The holding company has decided to write off its investment of approximately of £0.6m in the 1994 accounts.
3. A committed lending facility of £2 million has been obtained from Bank of Scotland. It is due for review in May 1995.