Grant Thornton

Financial statements Footasylum Limited

For the year ended 28 February 2010

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Company No. 05535565

Company information

Company registration number	05535565
Registered office	Unit 3 Broadfield Distribution Centre Pilsworth Road Heywood Lancashire OL10 2TA
Directors	S R Makin D M Makin J Wardle
Secretary	C M Makin
Bankers	Barclays Bank Plc 6th Floor 1 Marsden Street Manchester M2 1HW
Solicitors	Eversheds LLP Eversheds House 70 Great Bridgewater Manchester M1 5ES
Auditor	Grant Thornton UK LLP Chartered Accountants Registered Auditor 4 Hardman Square Spinningfields Manchester M3 3EB

Index to the financial statements

Report of the directors

The directors present their report and the financial statements of the company for the year ended 28 February 2010

Principal activities

The principal activity of the group during the year was the retail of sports and fashion footwear and clothing

Going concern

The financial statements have been prepared on a going concern basis The directors assessment of the company as a going concern is disclosed within the principal accounting policies

Results and dividends

The loss for the financial year amounted to £1,711,327 (2009 £2,199,212) The directors do not recommend the payment of a dividend

Business review

During the year, the group continued to develop and improve its business, increasing sales by almost 50%, improving gross margin by 3 2%, improving stock turn and continuing to make positive progress - in line with management expectations The group is also pleased to report a continued improvement in like-for-like sales (stores open for more than one year) together with a significant improvement in group sales densities generated from core stores In conjunction, the group has also continued to build and develop infrastructure in support of an increasing number of new stores and extension of its geographic footprint

Three new stores were added during the year and several are currently planned in the year to February 2011, as the business continues to gain momentum and progress positively The group is well funded and continues to focus and invest in its infrastructure and strength of its management team The directors are also confident that the business is well placed to exploit current market opportunities, albeit on a prudent and cautious basis

The directors consider the group's key performance indicators ("KPI's") to be gross profit, operating profit and stock turnover These KPI's can be calculated directly from the financial statements

Summary of key performance indicators

The group uses a number of key financial performance indicators in assessing and driving performance The key financial performance indicators used by the group are

	2010	2009
	£	£
Turnover	17,761,102	11,883,617
Gross profit	8,121,277	5,049,649
Operating loss	1,707,521	2,254,354
Gross margin	45.7%	42.5%
Stock turnover	116 days	123 days

The group also utilises a number of non-financial performance indicators which demonstrate its continuing focus on customer satisfaction and fashion trends

Future developments for the business/future outlook

The directors believe continued investment in our product range, with particular emphasis on quality, design and employing people with the relevant expertise, will enable us to improve on our market position

Report of the directors

Principal risks and uncertainties

The management of the business and the nature of the group's strategy are subject to a number of risks

The directors are of the opinion that a thorough risk management process is adopted which involves the formal review of all the risks identified below Where possible, processes are in place to monitor and mitigate such risks

High proportion of fixed overheads and variable revenues

A high proportion of the group's overheads are currently fixed There is therefore the risk that any significant changes in revenue may lead to the inability to cover such costs

Management closely monitor fixed overheads against budget on a monthly basis and cost saving exercises are implemented when there is an anticipated decline in revenues The proportion of fixed overheads should also continue to reduce as expansion progresses and new stores are added due to the fact that fixed costs and the infrastructure currently in place are sufficient to support a much higher store base

Competition

The market in which the group operates is highly competitive As a result, there is some downward pressure on margins and the additional risk of being unable to meet customers expectations Policies of constant price monitoring and ongoing market research are in place to mitigate such risks, together with a continuing effort to differentiate the company's offer from that of its competitors

Product obsolescence

In common with many other retailers, products are subject to seasonality and trends and as a result obsolescence The directors are committed to the ongoing monitoring of these trends and are confident that the company is able to react effectively to developments within the market

Financial risk management objectives and policies

The group uses various financial instruments which include directors' loans, cash, equity investments, preference shares and various items such as trade creditors that arise directly from its operations The main purpose of these financial instruments is to raise finance for the group's operations

Liquidity risk

The group seeks to manage financial risk to ensure sufficient liquidity is available to meet its needs for the foreseeable future and to invest cash assets safely and profitably

Interest rate risk

The group primarily finances its operations through directors loans which incur no interest

Currency risk

The group operates wholly within the United Kingdom and all transactions are denominated in Sterling Consequently, the group is not exposed to any significant currency risk

Directors

The directors who served the parent company during the year were as follows

S R Makin
D M Makin
P Atkinson (resigned 26 March 2010)
J Wardle

Report of the directors

Statement of directors' responsibilities

The directors are responsible for preparing 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 financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) The financial statements are required by law to give a true and fair view of the state of affairs of the group and of the profit or loss of the group 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, subject to any material departures disclosed and explained in the financial statements,
- 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 adequate accounting records that disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies Act 2006 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

In so far as the directors are aware

- there is no relevant audit information of which the group's auditors are unaware and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

Auditor

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the Company receives notice under section 488(1) of the Companies Act 2006

ON BEHALF OF THE BOARD

J Wardle
Director
14 September 2010

Report of the independent auditor to the members of Footasylum Limited

We have audited the financial statements of Footasylum Limited for the year ended 28 February 2010 which comprise the accounting policies, the group profit and loss account, the group and parent company balance sheets, the group cash flow statement, and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 auditor's 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 explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/UKNP

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 28 February 2010 and of the group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements

Report of the independent auditor to the members of Footasylum Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Grant Thornton UK LLP

John Shinnick
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP,
Statutory Auditor, Chartered Accountants
Manchester
14 September 2010

Principal accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Principles)

The directors have reviewed the accounting policies in accordance with FRS 18 and consider them to be the most appropriate to the circumstances of the group and company

Going concern

The financial statements have been prepared on a going concern basis

The group meets its day to day working capital requirements primarily through it's directors' loans While the current economic conditions create uncertainty over the level of consumer spend in the retail sector, the directors have prepared forecasts and projections that take into account reasonably possible changes in trading performance due to these current economic conditions Such forecasts and projections show that there is a reasonable basis for assuming that the group will be able to operate within the working capital facilities predicated on the continued availability of directors' loans and the provision of further amounts during the period given by the forecasts and projections The directors have formally confirmed their ability and willingness to provide the required level of support for the foreseeable future

After making enquiries, taking account of the availability of additional directors' loans, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the financial statements

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all subsidiary undertakings The financial statements of all group companies are adjusted, where necessary, to ensure the use of consistent accounting policies Acquisitions are accounted for under the acquisition method of accounting The results of companies acquired or disposed of are included in the group profit and loss account from or up to the date that control passes respectively

A separate profit and loss account for the parent company is not presented with the group financial statements as permitted by section 408 of the Companies Act 2006

Turnover

Sales of goods are recognised when the group sells clothing and footwear to the customer Retail sales are usually in cash or by credit card

It is the group's policy to sell it's clothing and footwear to the retail customer with a right to return within 14 days Accumulated experience is used to estimate and provide for such returns at the time of sale The company does not operate any loyalty programmes

Fixed assets

All fixed assets are initially recorded at cost

Principal accounting policies

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Fixtures & fittings	- 10% straight line or over the term of the lease
Computer equipment	- 17 - 25% straight line
Motor vehicles	- 25% reducing balance

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the seperable net assets acquired) arising on business combinations is capitalised The cost of goodwill is amortised on a straight line basis over its estimated useful economic life, which is considered to be 10 years

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

Net realisable value is the estimated selling price less all further costs to complete and all costs to be incurred in marketing, selling and distribution

Operating lease agreements

Operating lease incentives are recognised, on a straight-line basis, as a reduction of the rental expense over the shorter of the lease term and the period to the first rent review where market rentals will be payable

Pension costs

The group operates a defined contribution pension scheme for employees The assets of the scheme are held separately from those of the group The annual contributions payable are charged to the profit and loss account

Current tax

The current tax charge is based on the profit for the year and is measured at the amounts expected to be paid based on the tax rates and laws substantively enacted by the balance sheet date Current and deferred tax is recognised in the profit and loss account for the period except to the extent that it is attributable to a gain or loss that is or has been recognised directly in the statement of total recognised gains and losses

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and

Principal accounting policies

charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction Exchange differences are taken into account in arriving at the operating profit

Financial Instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all if its financial liabilities

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities Financial liabilities are presented as such in the balance sheet Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account Finance costs are calculated so as to produce a constant rate of return on the outstanding liability

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument Dividends and distributions relating to equity instruments are debited direct to equity

Consolidated profit and loss account

	Note	2010 £	2009 £
Turnover - continuing operations	1	**17,761,102**	11,883,617
Cost of sales		**(9,639,825)**	(6,833,968)
Gross profit		**8,121,277**	5,049,649
Administrative expenses	2	**(9,828,798)**	(7,304,003)
Operating loss - continuing operations	3	**(1,707,521)**	(2,254,354)
Net interest and other similar charges	5	**7,492**	742
Loss on ordinary activities before taxation		**(1,700,029)**	(2,253,612)
Tax on loss on ordinary activities	6	**(11,298)**	54,400
Loss on ordinary activities after taxation	18	**(1,711,327)**	(2,199,212)

There were no recognised gains or losses other than the loss for the financial year

Consolidated balance sheet

	Note	2010 £	2009 £
Fixed assets			
Intangible fixed assets	8	528,035	612,521
Tangible assets	9	4,440,518	2,973,255
		4,968,553	3,585,776
Current assets			
Stocks		3,058,239	2,293,730
Debtors	11	1,024,622	934,143
Cash at bank		451,474	1,681,604
		4,534,335	4,909,477
Creditors amounts falling due within one year	12	(2,948,724)	(2,436,116)
Net current assets		1,585,611	2,473,361
Total assets less current liabilities		6,554,164	6,059,137
Creditors amounts falling due after more than one year	13	(2,592,905)	(386 551)
		3,961,259	5,672,586
Capital and reserves			
Called-up share capital	16	13,405,000	13,405,000
Share premium account	17	249,100	249,100
Profit and loss account	18	(9,692,841)	(7,981,514)
Shareholders' funds	21	3,961,259	5,672,586

These financial statements were approved by the directors and authorised for issue on 14 September 2010 and are signed on their behalf by

J Wardle
Director

Footasylum Limited
Company registration number 05535565

Company balance sheet

	Note	2010 £	2009 £
Fixed assets			
Tangible assets	9	4,366,436	2,745,783
Investments	10	1,236,015	1,236,015
		5,602,451	3,981,798
Current assets			
Stocks		2,853,313	1,775,306
Debtors	11	1,935,176	1,646,753
Cash at bank		440,136	1,620,425
		5,228,625	5,042,484
Creditors amounts falling due within one year	12	(2,860,727)	(2,336,372)
Net current assets		2,367,898	2,706,112
Total assets less current liabilities		7,970,349	6,687,910
Creditors amounts falling due after more than one year	13	(2,590,945)	(357,591)
		5,379,404	6,330,319
Capital and reserves			
Called-up share capital	16	13,405,000	13,405,000
Share premium account	17	249,100	249,100
Profit and loss account	18	(8,274,696)	(7,323,781)
Shareholders' funds	21	5,379,404	6,330,319

These financial statements were approved by the directors and authorised for issue on 14 September 2010 and are signed on their behalf by

J Wardle
Director

Footasylum Limited
Company registration number: 05535565

Consolidated cash flow statement

	Note	2010 £	2009 £
Cash outflow from operating activities	19	**(1,601,500)**	(1,739,141)
Returns on investments and servicing of finance			
Interest received		**7,492**	742
Net cash inflow from returns on investments and servicing of finance		**7,492**	742
Taxation			
UK Corporation tax received		–	54,400
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		**(1,638,122)**	(704,211)
Receipts from disposals of tangible fixed assets		**2,000**	–
Net cash outflow from capital expenditure and financial investment		**(1,636,122)**	(704,211)
Acquisitions			
Investment in subsidiary undertaking		–	(42,800)
Net cash outflow from acquisitions		–	(42,800)
Net outflow before financing		**(3,230,130)**	(2,431,010)
Financing			
Net cash flow from borrowings	20	**2,000,000**	3,500,000
Issue of shares	16	–	4,100
Net cash inflow from financing		**2,000,000**	3,504,100
(Decrease)/increase in cash in the year	20	**(1,230,130)**	1,073,090

Notes to the financial statements

1 Turnover

The turnover and loss before tax are attributable to the one principal activity of the group
An analysis of turnover is given below

	2010 £	2009 £
United Kingdom	**17,761,102**	11,883,617

2 Other operating charges

	2010 £	2009 £
Distribution costs	**7,315,745**	5,012,300
Administrative expenses	**2,513,053**	2,291,703
	9,828,798	7,304,003

3 Operating loss

Operating loss is stated after charging/(crediting)

	2010 £	2009 £
Directors' emoluments	**215,081**	205,966
Depreciation of owned fixed assets	**347,514**	345,727
Amortisation of goodwill	**84,486**	84,486
Impairment of fixed assets	**(178,655)**	37,912
Auditor's remuneration		
Audit fees	**14,500**	13,500
Other fees - taxation compliance	**3,500**	3,500

4 Directors and employees

The total employee costs during the year were as follows

	Group		Company	
	2010	2009	**2010**	2009
	£	£	**£**	£
Wages and salaries	**3,393,775**	2,300,809	**3,224,568**	2,022,814
Social security costs	**253,577**	188,942	**243,326**	173,043
Pension costs	**44,430**	34,143	**36,740**	34,083
	3,691,782	2,523,894	**3,504,634**	2,229,940

The average number of employees during the year was as follows

	Group		Company	
	2010	2009	**2010**	2009
	Number	Number	**Number**	Number
Retail	**285**	221	**258**	183
Administration	**36**	24	**36**	24
Warehouse	**14**	11	**14**	11
	335	256	**308**	218

Remuneration in respect of directors was as follows

	2010	2009
	£	£
Emoluments receivable	**215,081**	205,966
Value of company pension contributions to money purchase schemes	**20,970**	20,458
	236,051	226,424

During the year 2 directors (2009 2) participated in the money purchase pension scheme

Remuneration in respect of the highest paid director was as follows

	2010	2009
	£	£
Emoluments receivable	**108,849**	102,292
Purchase schemes	**792**	792
	109,641	103,084

5 Interest payable and similar charges

	2010	2009
	£	£
Interest payable on bank borrowing	**7,492**	742

6 Taxation on ordinary activities

The taxation on ordinary activities represents

	2010 £	2009 £
Current tax		
UK Corporation tax at 28% (2009 28%)	–	–
In respect of prior periods	**11,298**	(28,556)
	11,298	(28,556)
Deferred taxation	–	(25,844)
	11,298	(54,400)

Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom of 28% (2009 28%) The differences are explained as follows

	2010 £	2009 £
Loss on ordinary activities before taxation	**(1,700,029)**	(2,253,612)
Loss on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 28% (2009 28%)	**(476,008)**	(634,839)
Effect of		
Expenses not deductible for tax purposes	**166,519**	81,414
Income not taxable for tax purposes	**(103,894)**	–
Capital allowances for the period in excess of depreciation	**(59,521)**	(34,329)
Adjustments in respect of prior periods	**11,298**	(28,556)
Other short term timing differences	**30,870**	(1,770)
Losses carried forward	**442,034**	589,524
Current tax charge for the year	**11,298**	(28,556)

Unrelieved tax losses of £8,268,722 (2009 £6,685,027) remain to offset against future taxable trading profits

There is a potential deferred tax asset of £2,183,377 (2009 £1,794,459) which has not been recognised in the financial statements in respect of these trade losses carried forward

7 Loss for the financial year

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements The parent company's loss for the financial year was £950,915 (2009 £1,923,359)

8 Intangible fixed assets

	Goodwill £
Cost	
At 1 March 2009 and 28 February 2010	844,860
Amortisation	
At 1 March 2009	232,339
Provided in the year	84,486
At 28 February 2010	316,825
Net book value	
At 28 February 2010	**528,035**
At 28 February 2009	612,521

9 Tangible fixed assets

Group

	Fixtures & fittings £	Computer equipment £	Motor vehicles £	Total £
Cost				
At 1 March 2009	4,650,535	538,458	66,152	5,255,145
Additions	1,427,010	162,820	48,292	1,638,122
Disposals	(162,976)	–	–	(162,976)
At 28 February 2010	5,914,569	701,278	114,444	6,730,291
Depreciation				
At 1 March 2009	2,107,825	154,675	19,390	2,281,890
Charge for the year	226,055	103,246	18,213	347,514
Disposals	(160,976)	–	–	(160,976)
Impairment	(178,655)	–	–	(178,655)
At 28 February 2010	1,994,249	257,921	37,603	2,289,773
Net book value				
At 28 February 2010	**3,920,320**	**443,357**	**76,841**	**4,440,518**
At 28 February 2009	2,542,710	383,783	46,762	2,973,255

Tangible fixed assets (continued)

Company

	Fixtures & fittings £	Computer equipment £	Motor vehicles £	Total £
Cost				
At 1 March 2009	4,235,360	485,074	66,152	4,786,586
Additions	1,363,759	162,820	48,292	1,574,871
At 28 February 2010	5,599,119	647,894	114,444	6,361,457
Depreciation				
At 1 March 2009	1,888,105	133,308	19,390	2,040,803
Charge for the year	190,389	94,917	18,213	303,519
Reversal of impairment	(349,301)	–	–	(349,301)
At 28 February 2010	1,729,193	228,225	37,603	1,995,021
Net book value				
At 28 February 2010	**3,869,926**	**419,669**	**76,841**	**4,366,436**
At 28 February 2009	2,347,255	351,766	46,762	2,745,783

10 Investments

	Investment in subsidiary undertaking £
Cost and net book value	
At 1 March 2009 and 28 February 2010	**1,236,015**

The company had the following subsidiary undertaking as at 28 February 2010

Name of subsidiary	Class of share capital held	Held by group	Held by company	Nature of business	Country of incorporation
Drome Limited	Ordinary	100%	100%	Retail of clothing	England and Wales

11 Debtors

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Trade debtors	**16,492**	301	**16,492**	301
Amounts due from group undertakings	**–**	–	**977,775**	825,967
Other debtors	**406,838**	405,366	**405,904**	368,468
Prepayments and accrued income	**601,292**	528,476	**535,005**	452,017
	1,024,622	934,143	**1,935,176**	1,646,753

12 Creditors: amounts falling due within one year

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Trade creditors	**1,853,896**	1,517,660	**1,809,229**	1,481,430
Other taxation and social security	**419,961**	300,274	**419,961**	300,274
Other creditors	**674,867**	618,182	**631,537**	554,668
	2,948,724	2,436,116	**2,860,727**	2,336,372

13 Creditors: amounts falling due after more than one year

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Directors' loan accounts	**2,000,000**	–	**2,000,000**	–
Other creditors	**592,905**	386,551	**590,945**	357,591
	2,592,905	386,551	**2,590,945**	357,591

14 Leasing commitments

At 28 February 2010 the group had aggregate annual commitments under non-cancellable operating leases as set out below

Group

	2010	2009
	£	£
Operating leases which expire		
After five years	**3,077,000**	2,568,000

Company

	2010	2009
	£	£
Operating leases which expire		
After five years	**3,077,000**	2,301,000

15 Related party transactions

The parent company is under the control of J Wardle J Wardle is a director and majority shareholder

16 Share capital

Authorised share capital

	2010	2009
	£	£
5,000 (2009 5,000) 'A' Ordinary shares of £1 each	**5,000**	5,000
19,995,000 (2009 19,995,000) 'B' Preference shares of £1 each	**19,995,000**	19,995,000
	20,000,000	20,000,000

Share capital (continued)

Allotted and called up

	2010		2009	
	No	£	No	£
'A' Ordinary shares of £1 each	5,000	5,000	5,000	5,000
'B' Preference shares fully paid of £1 each	13,400,000	13,400,000	13,400,000	13,400,000
	13,405,000	13,405,000	13,405,000	13,405,000

Amounts presented in equity

	2010	2009
	£	£
'A' Ordinary shares of £1 each	5,000	5,000
'B' Preference shares fully paid of £1 each	13,400,000	13,400,000
	13,405,000	13,405,000

Rights

'B' Preference shares may only be redeemed at the discretion of the company at a value of £1 per share Accordingly, the shares are presented in equity in accordance with FRS 25

17 Share premium account

	2010
	£
At 1 March 2009 and 28 February 2010	249,100

18 Reserves

Group

	Profit and loss account
	£
At 1 March 2009	(7,981,514)
Loss for the year	(1,711,327)
At 28 February 2010	(9,692,841)

Reserves (continued)

Company

	Profit and loss account £
At 1 March 2009	(7,323,781)
Loss for the year	(950,915)
At 28 February 2010	**(8,274,696)**

19 Reconciliation of operating loss to operating cash flows

	2010 £	2009 £
Operating loss	**(1,707,521)**	(2,254,354)
Impairment of fixed assets	**(178,655)**	37,912
Depreciation of owned fixed assets	**347,514**	345,726
Amortisation of goodwill	**84,486**	84,486
(Increase)/decrease in stocks	**(764,509)**	87,122
Increase in debtors	**(101,777)**	(103,792)
Increase in creditors	**718,962**	63,759
Net cash outflow from operating activities	**(1,601,500)**	(1,739,141)

20 Reconciliation of net cash flow to movement in net debt

	2010 £	2009 £
(Decrease)/increase in cash in the year	**(1,230,130)**	1,073,090
Cash inflow from movement in debt	**(2,000,000)**	(3,500,000)
Increase in net debt resulting from cash flows	**(3,230,130)**	(2,426,910)
Conversion of existing directors loans	**–**	13,649,100
Movement in net debt in the year	**(3,230,130)**	11,222,190
Opening net funds/(debt)	**1,681,604**	(9,540,586)
Closing net (debt)/funds	**(1,548,526)**	1,681,604

21 Reconciliation of movements in shareholders' funds

Group

	2010 £	2009 £
Loss for the financial year	**(1,711,327)**	(2,199,212)
New ordinary share capital subscribed	–	4,100
New preference share capital subscribed	–	13,400,000
Premium on new preference share capital subscribed	–	249,100
Net (reduction)/addition to shareholders' funds	**(1,711,327)**	11,453,988
Opening shareholders' funds/(deficit)	**5,672,586**	(5,781,402)
Closing shareholders' funds	**3,961,259**	5,672,586

Company

	2010 £	2009 £
Loss for the financial year	**(950,915)**	(1,923,359)
New ordinary share capital subscribed	–	4,100
New preference share capital subscribed	–	13,400,000
Premium on new preference share capital subscribed	–	249,100
Net (reduction)/addition to shareholders' funds	**(950,915)**	11,729,841
Opening shareholders' funds/(deficit)	**6,330,319**	(5,399,522)
Closing shareholders' funds	**5,379,404**	6,330,319

22 Post balance sheet events

On 1 March 2010, the trade and assets of Drome Limited were hived up into Footasylum Limited

23 Related party transactions

The company has taken advantage of the exemption in FRS 8 'Related Party Transactions' and has not disclosed transactions with group undertakings