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K. SHOEMAKERS LIMITED

DIRECTORS' REPORT AND ACCOUNTS  
30TH SEPTEMBER, 1979

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



K. SHOEMAKERS LIMITED  
REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their annual report, together with the accounts for the year ended 30th September, 1979.

## Results :

Profit for the year before taxation	£ 762,040
Taxation	650,913
	<hr/>
Balance brought forward	1,412,953
	5,016,330
	<hr/>
Dividends paid and proposed	6,429,283
	700,000
	<hr/>
Balance carried forward	£5,729,283
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## Activities :

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

## Directors :

The Directors throughout the year were :-

J.D. Younie, D.F.C. (resigned 31st March, 1979)  
J.R. Peat  
J.W. Sumsion  
J.R. Reeves  
D.J. Hawkes  
T.J. Lewis  
J.A. Stretch  
G.O. Probert (appointed 20th November, 1978)  
S. Crookenden M.C. (between 26th February, 1979 and 30th April, '79)

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

## Directors' interest in shares :-

No director had an interest in the shares or debentures of K. Shoemakers Limited. Mr. G.O. Probert and Mr. J.R. Peat are directors of K. Shoes Limited and consequently, have not notified this Company of their holdings in that company.

The interests of the other directors in the shares of K. Shoes Limited at 30th September, 1979 and 1978 were as follows :-

Ordinary Shares of 25p each held beneficially	30th September, 1979	30th September, 1978
Mr. J.R. Reeves	6,000	4,000
Mr. J.W. Sumsion	2,122	1,439
Mr. D.J. Hawkes	3,366	2,244
Mr. T.J. Lewis	None	None
Mr. J.A. Stretch	None	None

On 15th January, 1979 K. Shoes Limited made a bonus issue of one share for every two held.

K. SHOEMAKERS LIMITED  
REPORT OF THE DIRECTORS  
(continued)

**Properties:**

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

**Exports:**

The value of goods exported from the United Kingdom was £2,752,957 (1978 - £3,025,266).

**Auditors:**

A resolution for the re-appointment of Peat, Marwick, Mitchell & Co., as Auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

  
J. R. PEAT

Secretary

Netherfield,  
Kendal

17th December, 1979.

REPORT OF THE AUDITORS TO THE MEMBERS OF  
K. SHOEMAKERS LIMITED

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We have examined the accounts set out on pages 4 to 13 which have been prepared under the historical cost convention supplemented by the revaluation of certain freehold and leasehold land and buildings. In our opinion, they give, under that convention, a true and fair view of the state of affairs of the Company at 30th September, 1979 and of the profit and source and application of funds for the year to that date, and comply with the Companies Acts 1948 and 1967.

*Paul Marwick Mitchell & Co.*

PEAT, MARWICK, MITCHELL & CO.,  
Chartered Accountants

Airedale House,  
Albion Street,  
Leeds,  
LS1 5TY.

17th December, 1979.

K. SHOEMAKERS LIMITEDACCOUNTING POLICIES

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

**Fixed assets and depreciation:**

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

Short Leasehold property	- Over period of lease
Plant and machinery	- Between 5 and 10 years
Fixtures and fittings	- Between 5 and 10 years
Motor vehicles	- 4 years

Plant, machinery, fixtures and fittings which were previously written off over 20 years are now written off over 10 years. Certain other assets which were formerly depreciated over 5 years are now depreciated over 10 years.

**Stocks and work in progress:**

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

**Deferred Taxation:**

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

**Capital expenditure grants:**

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

**Research and Development Expenditure:**

All expenditure is written off when incurred.

**Turnover:**

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

**Foreign Currency Translation:**

At 30th September of each year, foreign currencies are translated into sterling at the rates then ruling.

K. SHOEMAKERS LIMITED  
PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30TH SEPTEMBER, 1979

	<u>Note</u>	<u>1979</u>	<u>1978</u>
TURNOVER		£42,389,722 =====	£37,329,144 =====
TRADING PROFIT		£ 1,144,026	£ 1,526,921
Interest paid		(381,986)	(384,103)
PROFIT BEFORE TAXATION	1	762,040	1,142,818
Taxation	2	650,913	248,430
PROFIT AFTER TAXATION		1,412,953	1,391,248
Less: Dividends paid	£500,000		£ -
proposed	200,000	700,000	120,000
		712,953	1,271,248
Balance brought forward		5,016,330	3,745,082
BALANCE CARRIED FORWARD		£ 5,729,283 =====	£ 5,016,330 =====

The notes referred to above  
form part of these accounts

K. SHOEMAKERS LIMITED  
NOTES TO PROFIT AND LOSS ACCOUNT

1. Trading profit

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

	<u>1979</u>	<u>1978</u>
<b>Expenditure</b>		
Depreciation (includes £114,593 relating to prior years following reassessment of asset lives)	£616,014	£364,905
Less transfer from Capital Expenditure grants	<u>56,769</u>	<u>32,083</u>
	559,245	332,822
Less over provided on disposals	<u>21,324</u>	<u>9,766</u>
	£537,921	£323,056
 Provision for cost of exceptional repairs	 200,000	 150,000
Hire of plant and machinery	491,033	524,477
Auditors' remuneration	16,700	15,200
Directors' remuneration as managers (Note 3)		
Salaries	109,345	104,035
Pension contributions	<u>30,060</u>	<u>30,046</u>
	139,405	134,081
 Interest paid		
Bank interest	256,000	378,000
Other interest	<u>136,986</u>	<u>18,903</u>
	392,986	396,903
Less interest relief grant	<u>11,000</u>	<u>12,800</u>
	381,986	384,103
 <b>Income</b>		
Temporary employment subsidy	9,123	192,490
Dividend received	486	474
Other interest	<u>2,120</u>	<u>1,243</u>

2. Taxation

Corporation Tax on the results of the year: recoverable at 52% received in respect of group relief	8,772	35,347
	<u>1,147,728</u>	<u>161,284</u>
	1,156,500	196,631
Foreign Taxation	(4,383)	-
	<u>1,152,117</u>	<u>196,631</u>
Transfer to deferred tax account	500,000	-
	652,117	196,631
(Over)/under provision in previous years	<u>(1,204)</u>	<u>51,799</u>
Credit in respect of taxation	£ 650,913	£248,430
	=====	=====

K. SHOEMAKERS LIMITEDNOTES TO PROFIT AND LOSS ACCOUNT

(continued)

3. Directors' Remuneration

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

	<u>1979</u>	<u>1978</u>
	Number	Number
£ Nil to £ 2,500	2	-
£ 5,001 to £ 7,500	-	2
£10,001 to £12,500	1	-
£12,501 to £15,000	2	4
£15,001 to £17,500	3	-
£17,501 to £20,000	-	1
£20,001 to £22,500	1	1
The Chairman received (period to 10th February, 1978)	-	£ 7,238
The Highest paid Director received	£21,905	£20,778

Since 10th February, 1978 the position of Chairman has not been filled.

One Director (1978 - Four) has waived emoluments totalling £3,459 (1978 - £8,525).

4. Higher Paid Employees


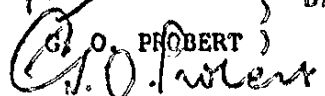
4 employees received remuneration amounting to between £10,001 and £12,500 (1978 - £111).



K. SHOEMAKERS LIMITEDBALANCE SHEETAT 30TH SEPTEMBER, 1979

	<u>Note</u>	<u>1979</u>	<u>1978</u>
<b>EMPLOYMENT OF CAPITAL</b>			
Fixed assets	A & B	£ 4,466,832	£ 4,063,362
Investment	C	1	1
Subsidiary companies	D	15,107	15,107
		<u>£ 4,481,940</u>	<u>£ 4,078,470</u>
<b>Current Assets</b>			
Stock	E	£11,097,853	£ 8,170,879
Trade debtors and prepayments		4,614,341	3,519,453
Balance at Bank and cash		46,067	8,911
Due from fellow subsidiary companies		1,847,405	2,461,437
Tax recoverable		33,052	12,024
		<u>£17,638,718</u>	<u>£14,172,704</u>
<b>Current liabilities</b>			
Trade creditors and accruals		£ 4,872,975	£ 3,952,262
Short term loans and deposits	L	216,107	197,939
Due to subsidiary companies		81,887	196,959
Proposed dividend		200,000	120,000
		<u>£ 5,370,969</u>	<u>£ 4,467,160</u>
<b>Net current assets</b>		<u>£12,267,749</u>	<u>£ 9,705,544</u>
<b>Total net assets</b>		<u>£16,749,689</u>	<u>£13,784,014</u>
<b>CAPITAL EMPLOYED</b>			
Share capital	F	£ 373,907	£ 373,907
Revaluation surpluses		255,983	255,983
Reserves	G	6,193,904	5,480,951
		<u>6,823,794</u>	<u>6,110,841</u>
Parent company loan	H	6,414,971	7,343,115
Capital expenditure grants	I	510,924	330,058
Deferred Taxation	J	500,000	-
Medium-term loan (secured)	K	2,500,000	-
		<u>£16,749,689</u>	<u>£13,784,014</u>

The notes referred to above  
form part of these accounts

 R. PEAT )  
 Directors  
 G. O. PROBERT )

K. SHOEMAKERS LIMITEDYEAR ENDED 30TH SEPTEMBER, 1979STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	<u>1979</u>	<u>1978</u>
<b>Source of funds</b>		
Profit before taxation	£ 762,040	£1,142,818
Depreciation net of capital expenditure grants	537,921	323,056
Total generated by operations	1,299,961	1,465,874
Proceeds of sale of assets	£ 37,984	£ 40,983
Amount receivable for Group Relief	1,134,268	249,410
Medium Term Loan	2,500,000	-
	3,672,252	290,393
	4,972,213	1,756,267
Less: funds transferred to parent company	(928,144)	(1,382,496)
	4,044,069	373,771
<b>Application of funds:-</b>		
Dividends paid	620,000	-
Taxation paid	4,383	2,641
Fixed assets purchased net of grants	798,509	1,221,655
	1,422,892	1,224,296
	2,621,177	(850,525)
<b>Increase/(decrease) in Working Capital</b>		
Stocks	2,926,974	899,768
Debtors, prepayments, loans and bills receivable	1,094,888	(83,499)
Creditors, accruals, loans and deposits	(938,881)	(1,714,167)
Due to/from subsidiary and fellow subsidiary companies	(498,960)	50,606
	2,584,021	(849,292)
Cash and bank	37,156	(1,233)
	£2,621,177	£ (850,525)
	=====	=====

K. SHOEMAKERS LIMITEDNOTES TO THE BALANCE SHEET**A. Fixed Assets**

	<u>Freehold Land &amp; Buildings</u>	<u>Leasehold Long</u>	<u>Properties Short</u>	<u>Plant, Vehicles, Fixtures &amp; Fittings</u>	<u>Total</u>
<u>Cost or Valuation:</u>					
<u>At 30th September, 1978</u>					
Cost	£1,652,467	£104,073	£ 19,503	£4,080,847	£5,856,890
Valuation	100,000	-	650,000	-	750,000
Additions	209,892	65,000	-	760,552	1,035,444
Group Transfer	-	-	-	700	700
	<u>1,962,359</u>	<u>169,073</u>	<u>669,503</u>	<u>4,842,099</u>	<u>7,643,034</u>
Disposals	-	-	-	(110,662)	(110,662)
<u>At 30th September, 1979</u>					
Cost	1,862,359	169,073	19,503	4,731,437	6,782,372
Valuation	100,000	-	650,000	-	750,000
<u>Depreciation</u>					
<u>At 30th September, 1978</u>					
Cost	512,302	10,361	8,872	1,861,393	2,392,928
Valuation	3,600	-	147,000	-	150,600
Charge for the year	30,858	2,082	23,052	560,022	616,014
	<u>546,760</u>	<u>12,443</u>	<u>178,924</u>	<u>2,421,415</u>	<u>3,159,542</u>
Disposals	-	-	-	(94,002)	(94,002)
<u>At 30th September, 1979</u>					
Cost	541,360	12,443	10,924	2,327,413	2,892,140
Valuation	5,400	-	168,000	-	173,400
<u>Net Book Values:</u>					
<u>At 30th September, 1979</u>					
Cost	1,320,999	156,630	8,579	2,404,024	3,890,232
Valuation	94,600	-	482,000	-	576,600
	<u>£1,415,599</u>	<u>£156,630</u>	<u>£490,579</u>	<u>£2,404,024</u>	<u>£4,466,832</u>
<u>At 30th September, 1978</u>					
Cost	£1,140,165	£ 93,712	£ 10,631	£2,219,454	£3,463,962
Valuation	96,400	-	503,000	-	599,400
	<u>£1,236,565</u>	<u>£ 93,712</u>	<u>£513,631</u>	<u>£2,219,454</u>	<u>£4,063,362</u>

K. SHOEMAKERS LIMITEDNOTES TO THE BALANCE SHEET

(continued)

**A. Fixed Assets (continued)**

Freehold land and buildings include at 30th September, 1979, house properties and housing estate at a cost of £46,095 on which depreciation has been provided of £29,526. No depreciation has been provided on these properties during the year. (1978 - £Nil).

**B. Capital Commitments**

	<u>1979</u>	<u>1978</u>
Commitments not provided for in the accounts	£1,542,000	£487,000
Expenditure authorised but not contracted	Nil	Nil

**C. Investment**

	<u>1979</u>	<u>1978</u>
Unlisted ordinary shares at cost	£ 2,500	£ 2,500
Less provision	2,499	2,499
	<u>£ 1</u>	<u>£ 1</u>
	=====	=====

In the opinion of the directors, the value of the shares is not less than £10,000.

**D. Subsidiary Companies (all wholly owned)**  
Shares at cost:-

	<u>1979</u>	<u>1978</u>
'K' Shoes Limited (Incorporated in Eire)	£ 1,000	£ 1,000
W.H.H. Clarke and Company Limited	14,007	14,007
Cleland & Son Limited	100	100
	<u>£15,107</u>	<u>£15,107</u>
	=====	=====

Neither 'K' Shoes Limited nor W.H.H. Clarke and Company Limited traded during the year.

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

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

**E. Stock**

Stock comprises:-

	<u>1979</u>	<u>1978</u>
Raw materials	£ 3,843,716	£2,464,410
Work-in-progress	2,611,988	1,958,639
Finished goods	4,642,149	3,747,830
	<u>£11,097,853</u>	<u>£8,170,879</u>
	=====	=====

K. SHOEMAKERS LIMITEDNOTES TO THE BALANCE SHEET

(continued)

## F. Share Capital

		<u>1979</u>	<u>1978</u>
	<u>Authorised</u>	<u>Issued and Fully Paid</u>	<u>Issued and Fully Paid</u>
Ordinary shares of £1 each	£500,000	£373,907	£373,907
	=====	=====	=====

## G. Reserves

	<u>1979</u>	<u>1978</u>
Capital reserve	£ 464,621	£ 464,621
Profit and loss account	5,729,283	5,016,330
	<u>£6,193,904</u>	<u>£5,480,951</u>
	=====	=====

## H. Parent Company

The 'Company's' parent company is K. Shoes Limited, a company incorporated in the United Kingdom.

## I. Capital Expenditure Grants

	<u>1979</u>	<u>1978</u>
Balance at 30th September, 1978	£330,058	£346,486
Grants received	237,635	15,655
	<u>567,693</u>	<u>362,141</u>
Less credited to profit and loss account in respect of the year	56,769	32,083
	<u>£510,924</u>	<u>£330,058</u>
	=====	=====

## J. Deferred Taxation

In the opinion of the Directors, timing differences relating to capital expenditure will not reverse in the foreseeable future.

However, the Directors considered that at 30th September, 1979 stocks were exceptionally high and are likely to fall by up to £1,000,000 before 30th September, 1980. Consequently, provision has been made for deferred taxation on the anticipated 'claw-back' of stock relief.

At 30th September, 1979 the total liability for deferred taxation calculated at 52% was £4,051,000 computed as below:-

	<u>1979</u>	<u>1978</u>
Accelerated Depreciation	1,448,000	1,231,000
Stock relief	3,234,000	2,157,000
Unrealised valuation surpluses	82,000	82,000
Special Revenue Expenditure	(213,000)	(86,000)
Total contingent liability	<u>4,551,000</u>	<u>3,384,000</u>
Less provided in anticipation of stock relief 'claw-back'	500,000	-
Total not provided	<u>£4,051,000</u>	<u>£3,384,000</u>
	=====	=====

Had deferred taxation been charged in full, then the full charge for taxation in the accounts would have increased by £667,000 (1978 - £902,000)

K. SHOEMAKERS LIMITED  
NOTES TO THE BALANCE SHEET  
 (continued)

K. Medium Term Loan

The Medium Term Loan is secured by a debenture giving a floating charge over the assets of the Company and is repayable in bi-annual instalments between 1981 and 1986 and carries an effective rate of interest of 8½% per annum.

L. Floating Charge

The undertaking, property and assets of the Company are subject to the following floating charges issued by Group Companies:-

	<u>1979</u>	<u>1978</u>
6½% Debenture Stock 1984/89	£ 306,550	£ 306,550
7½% Debenture Stock 1986/91	703,210	733,585
Variable Rate Loan 1986/92	2,000,000	-

A further floating charge ranking behind the Debenture Stock, has been made in favour of the Trustees of the Employees deposit scheme who were owed £216,107.

M. Other contingent liabilities

The Company has guaranteed a loan of £13,500 to an employee's sports association.

N. Stock retention of title by suppliers

In accordance with the practice which has become established following the decision of the 'Romalpa case' certain suppliers have introduced reservation of title clauses into their general conditions of sale. An amount of £457,000 was due to suppliers trading with such clauses.