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K SHOEMAKERS LIMITED
DIRECTORS' REPORT AND ACCOUNTS
28 JANUARY 1984

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



K SHOEMAKERS LIMITED

DIRECTOR'S REPORT

The directors present their annual report and the audited accounts for the year ended 28 January 1984.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW AND FUTURE DEVELOPMENT

The company has maintained its activities in the shoe trade throughout the year and there have been no significant changes in its business.

The results for the year, set out on page 4, reflect the improvement in trading operations during the year.

It is intended to maintain all current activities during 1984.

PROPOSED DIVIDEND

The directors propose to pay a dividend of £2,220,559.

MARKET VALUE OF LAND AND BUILDINGS

The directors are of the opinion that the open market value of the freehold land and buildings is approximately £5,134,000, compared with their book amount of £4,929,000.

K SHOEMAKERS LIMITED

DIRECTORS' REPORT
(continued)

DIRECTORS AND DIRECTORS' INTERESTS

The directors who served during the year were:

G O Probert (Chairman)
D J Hawkes
J R Peat
J R Reeves
T J Lewis
J A Stretch
T J Power
J M Coombs

No director has an interest in the shares of K Shoemakers Limited. The notifiable interests of the directors in the share capital of C & J Clark Limited, the company's ultimate holding company, were:

	28 January 1984	29 January 1983
J M Coombs	400	Nil

Mr J R Reeves, Mr T J Lewis, Mr J A Stretch and Mr T J Power have no interest in any group company. Mr G O Probert, Mr J R Peat, and Mr D J Hawkes are directors of K Shoes Limited, the company's immediate holding company, and consequently have not notified this company of their interests in other group companies.

EMPLOYEES


The company gives every consideration to the employment of disabled people.

The company, through regular formal briefings, keeps employees informed of current performance and development.

AUDITORS

In accordance with Section 14 of the Companies Act 1976, 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 M Coombs
Secretary

Netherfield
Kendal
Cumbria

2 March 1984

REPORT OF THE AUDITORS TO THE MEMBERS OF

K SHOEMAKERS LIMITED

We have audited the accounts on pages 4 to 17 in accordance with approved Auditing Standards.

In our opinion the accounts, which have been prepared on the basis of the accounting policies set out on pages 7 and 8, give a true and fair view of the state of the company's affairs at 28 January 1984 and of its profit and source and application of funds for the year to that date and comply with the Companies Acts 1948 to 1981.

Paul Vincent Mitchell C.

PEAT, MARWICK, MITCHELL & CO

Chartered Accountants

Airedale House
Albion Street
LEEDS
LS1 5TY

2 March 1984

K SHOEMAKERS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 28 JANUARY 1984

	<u>Note</u>	<u>1984</u>	<u>1983</u>
TURNOVER	4	£50,109,431	£44,762,080
Cost of sales		(37,779,570)	(35,084,988)
GROSS PROFIT		12,329,861	9,677,092
Distribution costs		(652,388)	(684,016)
Administrative expenses		(7,475,696)	(6,768,096)
Other operating income		140,000	95,436
Income from other fixed asset investments		-	646
Other interest receivable and other income		8,765	12,589
Amounts written off investments		(1)	(9,999)
Interest payable	6	(128,152)	(167,236)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	4,222,389	2,156,416
TAXATION	7	(2,001,830)	(1,261,880)
PROFIT FOR THE FINANCIAL YEAR		2,220,559	894,536
DIVIDENDS: PAID		-	(819,000)
PROPOSED		(2,220,559)	-
RETAINED PROFIT FOR THE FINANCIAL YEAR		-	75,536
Depreciation written back on revaluation of property		137,500	158,768
Transfer of realised gains in earlier years from revaluation surplus	15	464,621	-
Retained profit brought forward		7,130,633	6,896,329
RETAINED PROFIT CARRIED FORWARD		7,732,754	7,130,633
		=====	=====

The notes on pages 8 to 17 form part of these accounts.

K SHOEMAKERS LIMITEDBALANCE SHEET AT 28 JANUARY 1984

	<u>Note</u>	<u>1984</u>	<u>1983</u>
FIXED ASSETS			
Tangible assets	8	£8,626,857	£8,590,381
Investments	11	<u>15,107</u>	<u>15,108</u>
		£8,641,964	£8,605,489
CURRENT ASSETS			
Stocks	9	9,804,227	9,478,456
Debtors	10	11,500,816	9,562,432
Cash at bank and in hand		<u>169,610</u>	<u>58,643</u>
		21,474,653	19,099,531
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	12	(14,484,834)	(13,521,972)
NET CURRENT ASSETS		<u>6,989,819</u>	<u>5,577,559</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		15,631,783	14,183,048
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	13	(2,980,750)	(1,475,870)
PROVISIONS FOR LIABILITIES AND CHARGES	14	(2,195,000)	(2,545,000)
NET ASSETS		<u>10,456,033</u> =====	<u>10,162,178</u> =====
CAPITAL AND RESERVES			
Called up share capital	16	373,907	373,907
Revaluation reserve	15	2,349,372	2,657,638
Profit and loss account		<u>7,732,754</u>	<u>7,130,633</u>
		10,456,033 =====	10,162,178 =====

These accounts were approved by
the board of directors on 2 March 1984

G O PROBERT)

)DIRECTORS

J R PEAT)

The notes on pages 8 to 17 form part of these accounts.

K SHOEMAKERS LIMITEDSTATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 28 JANUARY 1984

	£	1984	£	1983	£
SOURCE OF FUNDS					
Profit on ordinary activities before taxation		4,222,389		2,156,416	
Adjustments for items not involving the movement of funds:					
Depreciation and amortisation	869,642		917,572		
Surplus on sale of tangible fixed assets	(52,537)		(40,209)		
Surplus on sale of investments held as fixed assets	-		(20,125)		
		<u>817,105</u>		<u>857,238</u>	
FUNDS GENERATED FROM OPERATIONS		5,039,494		3,013,654	
FUNDS FROM OTHER SOURCES					
Proceeds of sale of tangible fixed assets	252,263		120,883		
Proceeds of sale of investments held as fixed assets	-		20,125		
		<u>252,263</u>		<u>141,008</u>	
		5,291,757		3,154,662	
APPLICATION OF FUNDS					
Purchase of fixed assets	(811,989)		270,980)		
Tax paid	(685,403)		501,684)		
Dividend paid	-		319,000)		
Provisions utilised	(270,000)		479,250)		
Decrease in creditors: amounts falling due after more than one year	(571,000)		717,324)		
		<u>2,338,392)</u>		<u>(5,288,238)</u>	
INCREASE (DECREASE) IN WORKING CAPITAL		2,953,365		(2,133,576)	
		<u>=====</u>		<u>=====</u>	
COMPONENTS OF INCREASE (DECREASE) IN WORKING CAPITAL					
Stocks	325,771		(804,563)		
Debtors	1,938,384		5,514,155		
Investments	(1)		(10,000)		
Creditors falling due within one year	578,244		(6,815,028)		
Movement in net liquid funds:					
Increase (decrease) in cash at bank and in hand		110,967		(18,140)	
		<u>2,953,365</u>		<u>(2,133,576)</u>	
		<u>=====</u>		<u>=====</u>	

K SHOEMAKERS LIMITEDNOTES TO THE ACCOUNTS1. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's accounts:-

(a) Basis of accounting

The accounts have been prepared using the historical cost convention modified by the adoption of current cost accounting for fixed assets.

(b) Fixed assets

Fixed assets are stated at their value to the business on the following basis:

- 1) Freehold and leasehold land and buildings are stated at their estimated open market value on an existing use basis.
- 2) Substantially all other fixed assets are stated at net current replacement cost. The gross replacement cost is determined in relation to the movement in the appropriate UK official indices since the year of acquisition. These assets have been depreciated in accordance with normal depreciation policy to give net current replacement cost. The net value shown in the balance sheet does not purport to be an estimate of realisable value.

(c) Depreciation and amortisation

Depreciation is provided on non-residential freehold buildings at a rate of 2% per annum. Long and short leasehold property are amortised by equal annual instalments over 50 years and the life of the lease respectively. Plant and equipment are depreciated to write off their gross current replacement cost over their expected useful lives. For this purpose, the expected lives are:

Plant, machinery and fixtures	5 or 10 years
Motor vehicles	4 years

Freehold land and residential properties are not depreciated.

(d) Stocks and work in progress

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

(e) Research and development

All expenditure is written off when incurred.

K SHOEMAKERS LIMITED

NOTES TO THE ACCOUNTS

(continued)

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(f) Foreign currency translation

Foreign currencies are translated into sterling at the rates ruling at the accounting date.

(g) Pensions

Rates of contribution to employee pension funds are maintained at levels necessary to meet the cost of pension benefits as they become due. Any adjustments required to the rates of contribution are determined in the light of the results of regular independent actuarial valuations.

(h) Deferred taxation

Deferred taxation is provided at the rate of corporation tax ruling at the accounting date (the liability method). No provision is made against the potential liability to taxation unless there is a reasonable probability that it will arise in the foreseeable future.

K SHOEMAKERS LIMITEDNOTES TO THE ACCOUNTS
(continued)2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit before taxation is stated after charging or crediting the following:

	<u>1984</u> £	<u>1983</u> £
Depreciation of tangible fixed assets	869,642	917,572
Directors' emoluments (see note 3)		
Remuneration as executives	205,552	162,511
Hire of plant and machinery	547,951	578,499
Auditors' remuneration and expenses	26,500	26,000
Income from unlisted investments	-	646
Rents receivable	90,310	95,436
	=====	=====

3. EMOLUMENTS OF DIRECTORS

Excluding pension contributions, the emoluments of the chairman were £Nil (1983: Nil); the emoluments of the highest paid director were £43,124 (1983: £26,116); the emoluments of the other directors were within the following ranges:

	<u>1984</u> <u>Number</u>	<u>1983</u> <u>Number</u>
£Nil - £5000	1	-
£5,001 - £10,000	-	2
£10,001 - £15,000	-	1
£15,001 - £20,000	-	1
£20,001 - £25,000	3	2
£25,001 - £30,000	2	-

4. TURNOVER

Turnover represents amounts invoiced by the company in respect of footwear sold during the year, after deducting Value Added Tax and trade discounts.

The turnover of the company derives from its activities in the shoe trade; all such activity is in the United Kingdom.

K SHOEMAKERS LIMITEDNOTES TO THE ACCOUNTS(continued)5. STAFF NUMBERS AND COSTS

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:-

	<u>1984</u> £	<u>1983</u> £
Production	2,402	2,523
Sales and distribution	257	261
Administration	149	152
	<u>2,808</u> =====	<u>2,936</u> =====

The aggregate payroll costs of these persons were as follows:-

	<u>1984</u> £	<u>1983</u> £
Wages and salaries	16,316,556	15,464,548
Social Security costs	1,692,410	1,928,536
Other pension costs	508,934	452,392
	<u>18,517,900</u> =====	<u>17,845,476</u> =====

6. INTEREST PAYABLE

	<u>1984</u> £	<u>1983</u> £
On bank loans, overdrafts and other loans, repayable within five years	128,152	167,236
	<u>128,152</u> =====	<u>167,236</u> =====

7. TAXATION

	<u>1984</u> £	<u>1983</u> £
Taxation based on the profit for the year of the company:		
Corporation tax at 52%	2,086,000	499,500
Deferred taxation	(80,000)	473,000
Foreign taxation	39,000	10,500
(Over)/Under provision relating to prior periods	<u>(43,170)</u>	<u>278,880</u>
	<u>2,001,830</u> =====	<u>1,261,880</u> =====

The taxation charge for the year has been reduced by:

Stock appreciation relief	288,740	263,450
	<u>288,740</u> =====	<u>263,450</u> =====

K SHOEMAKERS LIMITED
NOTES TO THE ACCOUNTS
 (continued)

8. FINANCIAL FIXED ASSETS

	<u>Land and Buildings</u>				<u>Plant and Machinery and Vehicles</u>	<u>Total</u>
	<u>Leasehold</u>	<u>Long Leasehold</u>	<u>Short Leasehold</u>	<u>At Valuation</u>		
	<u>At Cost</u>	<u>At Valuation</u>	<u>At Valuation</u>	<u>At Valuation</u>	<u>At Cost</u>	<u>At Cost</u>
Cost on valuation at 29 January 1983	5,292,000	32,420	126,000	820,000	20,000	7,903,648
Revaluation adjustments	(84,542)	-	-	320,000	-	335,472
Additions	14,542	-	-	-	603,131	136,316
Disposals At 28 January 1984	(2,300)	(1,757)	-	(20,600)	(745,697)	(870,864)
Depreciation and amortisation At 29 January 1983	5,916,500	37,671	126,600	1,200,000	-	8,210,244
Revaluation adjustments	-	25,593	-	-	18,460	6,079,308
Charged in year	(91,140)	-	(2,360)	(44,000)	-	267,575
Disposals At 28 January 1984	(1,640)	(942)	-	-	(20,600)	(647,756)
Value to the business at: 28 January 1984	4,916,500	13,102	126,000	1,200,000	-	2,001,549
At: 29 January 1983	5,292,000	13,923	126,000	820,000	1,940	1,824,340
						452,178
						8,590,381
						8,626,857
						7,259,681
						1,026,423
						218,794
						6,931,102
						130,075
						869,642
						(671,138)
						1,026,423
						369,700
						452,178
						8,590,381

K SHOEMAKERS LIMITED
NOTES TO THE ACCOUNTS
(continued)

8. TANGIBLE FIXED ASSETS (continued)

VALUATION:

LAND AND BUILDINGS

Freehold and leasehold land and buildings with the exception of residential property have been revalued at 28 January 1984 by the directors on the basis of their estimated open market value for their existing use.

Freehold land and buildings include at 28 January 1984 residential property at a cost of £37,671 on which depreciation has been provided of £24,563. No depreciation has been provided on this property during the period (1983 - £Nil).

PLANT, VEHICLES, FIXTURES AND FITTINGS

The gross replacement cost of plant, vehicles, fixtures and fittings has been estimated by the directors at 28 January 1984, by reference to the movement in relevant price indices.

The amount of freehold/leasehold land and buildings and plant and machinery (included above at a valuation) determined according to the historical cost accounting rules is as follows:-

	<u>Freehold</u>	<u>Long</u> <u>Leasehold</u>	<u>Short</u> <u>Leasehold</u>	<u>Plant</u> <u>and</u> <u>Machinery</u>	<u>Total</u>
	£	£	£	£	£
Cost	4,561,663	215,532	-	3,741,940	8,519,135
Depreciation	<u>1,292,798</u>	<u>48,472</u>	<u>-</u>	<u>2,199,982</u>	<u>3,541,252</u>
Net book value at 28 January 1984	<u>3,268,865</u>	<u>167,060</u>	<u>-</u>	<u>1,541,958</u>	<u>4,977,883</u>
Cost	4,559,336	215,532	-	3,280,515	8,055,383
Depreciation	<u>1,236,550</u>	<u>44,161</u>	<u>-</u>	<u>2,022,902</u>	<u>3,303,613</u>
Net book value at 29 January 1983	<u>3,322,786</u>	<u>171,371</u>	<u>-</u>	<u>1,257,613</u>	<u>4,751,770</u>

K SHOEMAKERS LIMITEDNOTES TO THE ACCOUNTS
(continued)9. STOCKS AND WORK IN PROGRESS

	<u>1984</u> £	<u>1983</u> £
Raw materials and consumables	1,728,971	1,499,418
Work in progress	1,541,217	1,559,485
Finished goods and goods for resale	<u>6,534,039</u>	<u>6,419,553</u>
	<u>9,804,227</u>	<u>9,478,456</u>

10. DEBTORS

	<u>1984</u> £	<u>1983</u> £
Amounts falling due within one year:		
Trade debtors	2,306,753	2,603,536
Amounts owed by group companies	8,897,939	6,788,926
Other debtors	127,243	26,290
Prepayments and accrued income	<u>168,881</u>	<u>143,680</u>
	<u>11,500,816</u>	<u>9,562,432</u>

11. INVESTMENTS (HELD AS CURRENT ASSETS)

	<u>1984</u> £	<u>1983</u> £
Shares in group companies	15,107	15,107
Other investments	<u>—</u>	<u>1</u>
	<u>15,107</u>	<u>15,108</u>

K SHOEMAKERS LIMITED
NOTES TO THE ACCCOUNTS
(continued)

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1984</u>		<u>1983</u>
	£	£	£
Bank loans and overdrafts	516,000		479,250
Trade creditors	986,713		802,898
Amounts owed to group companies:			
Holding and fellow subsidiary companies	7,897,506		9,081,482
Subsidiary companies	<u>260,017</u>		<u>236,578</u>
	8,157,523		9,338,060
Taxation and social security:			
Corporation tax	(2,673)		676,780
Other taxes	160,245		338,730
Social security	<u>525,361</u>		<u>492,712</u>
	682,933		1,508,222
Other creditors	806,565		197,841
Accruals and deferred income	1,114,541		1,035,701
Proposed dividend	<u>2,220,559</u>		<u>—</u>
	14,484,834		13,521,972
	=====		=====

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>1984</u>		<u>1983</u>
	£		£
Bank loans and overdrafts	848,750		1,364,750
Other creditors			
Corporation tax (payable 1 May 1985)	2,087,000		11,120
Accruals and deferred income	<u>45,000</u>		<u>100,000</u>
	2,980,750		1,475,870
	=====		=====

K SHOEMAKERS LIMITEDNOTES TO THE ACCOUNTS(continued)14. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>Pensions and similar obligations</u> £	<u>Deferred taxation</u> £	<u>Other provisions</u> £	<u>Total</u> £
Balance at 29 January 1983	140,000	1,825,000	580,000	2,545,000
Utilised during the year	-	-	(200,000)	(200,000)
Charge/(credit) for the year in the profit and loss account	<u>10,000</u>	<u>(80,000)</u>	<u>(80,000)</u>	<u>(150,000)</u>
Balance at 28 January 1984	<u>150,000</u>	<u>1,745,000</u>	<u>300,000</u>	<u>2,195,000</u>

The amounts provided for deferred taxation and the full potential liability, calculated on the liability method, are set out below:-

	<u>1984</u>	<u>Full potential liability</u>	<u>1983</u>	<u>Full potential liability</u>
	<u>Amount provided</u> £	<u>£</u>	<u>Amount provided</u> £	<u>£</u>
Difference between accumulated depreciation and amortisation and capital allowances	2,334,000	2,573,000	2,295,000	2,590,000
Special revenue expenditure	(589,000)	(589,000)	(470,000)	(470,000)
Surplus on revaluation of land and buildings	-	420,000	-	439,000
	<u>1,745,000</u>	<u>2,404,000</u>	<u>1,825,000</u>	<u>2,559,000</u>

15. REVALUATION RESERVE

	<u>1984</u> £	<u>1983</u> £
Balance at 29 January 1983	2,657,638	3,404,206
Transfer to profit and loss account	(464,621)	-
Surplus (deficit) on revaluation of assets	<u>156,355</u>	<u>(746,568)</u>
Balance at 28 January 1984	<u>2,349,372</u>	<u>2,657,638</u>

K SHOEMAKERS LIMITEDNOTES TO THE ACCOUNTS(continued)16. SHARE CAPITAL

	<u>1984</u> £	<u>1983</u> £
Authorised: £1 ordinary shares	500,000 =====	500,000 =====
Share capital allotted, called up and fully paid:	373,907 =====	373,907 =====

17. COMMITMENTS

Capital commitments at 28 January 1984, for which no provision has been made in these accounts, were as follows:-

	<u>1984</u> £	<u>1983</u> £
Contracted	175,000	75,000
Authorised but not contracted	- =====	- =====

18. CONTINGENCIES

The company has guaranteed loans amounting to £52,875.

The future minimum lease payments, all of which relate to non-cancelled operating leases, to which the company was committed as at 28 January 1984, amounted to £100,066 (1983 £127,426).

19. COMPANIES ACT 1981

In order to conform with the requirements of the Companies Act 1981 the comparative figures have been restated.

20. MEDIUM TERM LOAN

The medium term loan is made up as follows:-

Creditors - amounts falling due within one year	£ 516,000
Creditors - amounts falling due after more than one year	848,750
	£1,364,750 =====

The loan is secured by a debenture giving a floating charge over the assets of the company and is repayable in bi-annual instalments between 1984 and 1986 and carries an effective rate of interest of 8.5% per annum.

K SHOEMAKERS LIMITEDNOTES TO THE ACCOUNTS

(continued)

21. FLOATING CHARGE

In addition to the loan referred to in note 20, the undertaking property and assets of the company are subject to the following floating charges issued by Group Companies.

	<u>1984</u>	<u>1983</u>
6.5% Debenture stock 1984/89	£161,150	£241,550
7.5% Debenture stock 1986/91	<u>492,315</u>	<u>595,910</u>

22. TAXATION STATUS

The company is a close company under the provisions of the Income and Corporation Taxes Act 1970.

23. ULTIMATE HOLDING COMPANY

The company's immediate holding company is K Shoes Limited and its ultimate holding company is C & J Clark Limited. Both of these companies are incorporated in Great Britain.