

SOMERVELL BROTHERS LIMITED

DIRECTORS' REPORT and ACCOUNTS  
30th September, 1974

PEAT, MARWICK, MITCHELL & CO.,

Airedale House  
Albion Street  
LEEDS LS1 5TY

SOMERVELL BROTHERS LIMITEDREPORT OF THE DIRECTORS  
TO BE SUBMITTED AT THE SIXTIETH  
ANNUAL GENERAL MEETING OF THE COMPANY

The Directors submit the Balance Sheet at 30th September, 1974, and the Profit and Loss Account for the year ended that date together with the Auditors' Report thereon.

	£
1. The Net Profit of the year, after providing for Taxation was	350,958
Add Dividends receivable from Subsidiary Company	50,000
	400,958
Add Balance brought forward at 30th September, 1973	972,517
	1,373,475
The Directors recommend a Gross Dividend of	299,480
Leaving a balance to carry forward to next year	<u>1,073,995</u>

2. The following were Directors throughout the year :

J. D. Younie, D.F.C. (Chairman)  
S. Crookenden, M.C.  
J. R. Reeves  
J. W. Sumsion  
J. R. Peat  
D. J. Hawkes  
G. W. Marshall

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

3. The Principal activity of the Company is the manufacture and sale of footwear.

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

5. The value of goods exported from the United Kingdom was £1,158,948 (1973 - £681,308).

6. Directors Shareholdings

Mr. J. D. Younie and Mr. S. Crookenden are Directors of K Shoes Limited and consequently have not notified this Company of their holdings in that Company.

The interests of Mr. J. R. Reeves, Mr. J. W. Sumsion, Mr. J. R. Peat, Mr. D. J. Hawkes and Mr. G. W. Marshall were as follows:-

Ordinary Shares all  
held beneficially

Mr. J. R. Reeves  
Mr. J. W. Sumsion  
Mr. J. R. Peat  
Mr. D. J. Hawkes  
Mr. G. W. Marshall

30th September, 1974      30th September, 1973

4,000 Ordinary (25p)	4,000 Ordinary (25p)
1,971 "	1,971 "
4,277 "	4,277 "
2,244 "	1,244 "
328 "	328 "

7. The Auditors, Peat, Marwick, Mitchell and Co. have notified their willingness to continue in office and accordingly, as provided by Section 159 of the Companies Act 1948, no resolution for their re-appointment as auditors will be required.

BY ORDER OF THE BOARD

J. R. Peat  
Secretary

Netherfield, Kendal  
5th December, 1974

REPORT OF THE AUDITORS TO THE MEMBERS OF SOMERVELL BROTHERS LIMITED

We have examined the balance sheet and profit and loss account, together with the notes thereon, set out on pages 4 to 10. In our opinion they comply with the Companies Acts, 1948 and 1967 and give respectively a true and fair view of the state of the Company's affairs at 30th September, 1974, and of the profit for the year to that date.

PEAT, MARWICK, MITCHELL & CO.

Chartered Accountants

Airedale House  
Albion Street  
Leeds LS1 5TY  
5th December, 1974

SOMERVELL BROTHERS LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 30th SEPTEMBER, 1974

	<u>1974</u>	<u>1973</u>
	£	£
TRADING PROFIT - Note 10	994,711	1,237,770
Interest:		674
Bank Interest	109,731	
Other Interest	<u>27,817</u>	<u>30,211</u>
	137,548	30,885
PROFIT BEFORE TAXATION	857,163	1,206,885
Taxation - Note 12	<u>446,705</u>	<u>633,000</u>
PROFIT AFTER TAXATION	410,458	573,885
Less Amount Payable for Group Relief in respect of loss of fellow Subsidiary	<u>59,500</u>	<u>21,000</u>
	350,958	552,885
DIVIDENDS RECEIVABLE		
W.H.H. Clarke & Co. Ltd:		7,500
5% Cumulative Preference Dividend	5,250	
Ordinary Dividend	<u>44,750</u>	<u>87,500</u>
	50,000	95,000
	400,958	647,885
BALANCE BROUGHT FORWARD	972,517	549,632
Transfer from Property Revaluation Surplus Account	-	469,000
Less Appropriation to members as Dividend	-	<u>469,000</u>
	<u>1,373,475</u>	<u>1,197,517</u>
DIVIDENDS ON ORDINARY SHARES		
Proposed	<u>299,480</u>	<u>225,000</u>
BALANCE CARRIED FORWARD	<u>1,073,995</u>	<u>972,517</u>

The notes on pages 6 to 10 form part of these accounts.

SOMERVELL BROTHERS LIMITED

BALANCE SHEET AT 30th SEPTEMBER 1974

	<u>Notes</u>	<u>1974</u>	<u>1973</u>
		£	£
<u>FIXED ASSETS</u> - net	1 & 2	3,072,170	2,754,860
<u>INVESTMENTS IN SUBSIDIARY COMPANIES</u>		432,929	432,929
<u>INVESTMENTS</u>	4	4,000	4,000
Unquoted			
Less Provision in respect of		2,499	2,499
Unquoted Investments		1,501	1,501
<u>CURRENT ASSETS</u>	1	3,822,369 ✓ 2,045,276 ✓	3,961,469 2,106,462
Stocks			
Trade Debtors			
Loans, Bills Receivable and		297,577	284,783
Prepayments			
Dividends Receivable from		50,000	95,000
Subsidiary Company			
Amounts due from fellow Subsidiary		1,131,289	663,259
Companies		8,375	6,998
Cash and Bank Accounts		7,354,886	7,117,971
<u>CURRENT LIABILITIES</u>			
Trade Creditors and Accrued		1,819,216	1,968,091
Charges		204,766	207,594
Short Term Loans & Deposits		88,192	88,192
Amounts due to Subsidiary Company	12	199,339	366,681
Current Taxation		299,480	225,000
Proposed Dividend to Parent Company		2,610,993	2,855,558
<u>NET CURRENT ASSETS</u>		4,743,893	4,262,413
<u>TOTAL NET ASSETS</u>		8,250,493	7,451,703
<u>REPRESENTING</u>			
<u>SHARE CAPITAL</u>	<u>Authorised</u>	<u>Issued and Fully Paid</u>	
Ordinary Shares of			373,907
£1 each	500,000	373,907	373,907
<u>RESERVES</u>	5	1,538,616	1,437,138
<u>PROPERTY REVALUATION SURPLUS</u>	6	119,000	119,000
<u>CAPITAL EXPENDITURE GRANTS</u>	1 & 7	331,064	277,674
<u>FUTURE TAXATION</u>			
Corporation Tax due 1st January, 1976	12	161,000 x	520,000
Deferred Taxation	8	997,850	380,550
<u>PARENT COMPANY LOAN</u>		1,158,850 4,729,056	900,550 4,343,434
		8,250,493	7,451,703

..... J. D. Younie ..... Director

S. Crookenden ..... Director

SOMERVELL BROTHERS LIMITEDNOTES FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 30th SEPTEMBER 19741. STATEMENT OF ACCOUNTING POLICIES

## (a) 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 buildings at 2% of cost per annum. All other assets are depreciated at rates calculated to write them off over their estimated lives.

## (b) Stocks.

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.

## (c) Deferred Taxation.

The provision for deferred taxation represents corporation tax, at current rates, on the difference between the book and tax written down values of assets qualifying for capital allowances, tax deferred under the proposed tax relief on increased stocks at 30th September 1973 (but not any additional tax on the possible recovery of that relief in future years) together with Capital Gains Tax on the unrealised surpluses incorporated in the accounts arising from the revaluation of properties, less Advance Corporation Tax.

## (d) Capital expenditure grants.

These are credited to a Capital Expenditure Grants Account and brought back to Profit and Loss Account on the same basis as depreciation of the assets to which they relate.

## (e) Research and Development Expenditure.

All expenditure is written off as and when incurred.

## (f) Foreign Currencies.

Conversion rates are those ruling at 30th September, 1974.

2. FIXED ASSETS AND DEPRECIATION

See schedule on page 10.

3. CAPITAL COMMITMENTS

Commitments for Capital Expenditure not provided for in the accounts amounted to £103,000 (1973 - £209,000). Expenditure sanctioned by the Board for which orders had not been placed at 30th September, 1974, amounted to £13,000 (1973 - £70,000).

4. UNQUOTED INVESTMENTS

The Directors are of the opinion that the value of the Unquoted Investments, which consist entirely of equity holdings is approximately £5,000 (1973 - £5,000).

5. RESERVES

1974

1973

6. PROPERTY REVALUATION SURPLUS

The Long Leasehold London Office property of the Company was valued on an open market basis at 30th September, 1972 at £650,000. The surplus arising of £588,000 after providing for estimated tax liability arising from disposal of the property at that value was credited to a property revaluation surplus account. Of this, £469,000 was transferred to profit and loss account and subsequently appropriated to pay up dividend to the holding Company, leaving a balance of £119,000.

7. CAPITAL EXPENDITURE GRANTS

	<u>1974</u>	<u>1973</u>
	£	£
Balance at 30th September, 1973	277,674	242,573
Grants Receivable	<u>82,708</u>	<u>66,163</u>
	360,382	308,736
Amounts applied in reduction of depreciation of gross cost of assets	<u>29,318</u>	<u>31,062</u>
Balance at 30th September, 1974	<u>£331,064</u>	<u>£277,674</u>

8. DEFERRED TAXATION

	£	£	£	£
Balance at 30th September, 1973		381,000		289,000
Transferred from Profit and Loss Account:				
Charge for the year	273,260		61,000	
Rate adjustment for previous year	12,740		52,000	
Stock appreciation relief	<u>331,820</u>		-	
		<u>617,820</u>		<u>113,000</u>
		998,820		402,000
Transfer to Property Revaluation Surplus Account		<u>-</u>		<u>21,000</u>
		998,820		381,000
Advance Corporation Tax Recoverable		<u>( 970 )</u>		<u>( 450 )</u>
		<u>£997,850</u>		<u>£380,550</u>

9. The Turnover of the Company representing external sales less trade discounts where appropriate and including sales to fellow subsidiaries and a wholesale branch was £22,938,553 net of value added tax (1973 - £20,221,281 inclusive of purchase tax for part year.)

	<u>1974</u>		<u>1973</u>	
	£	£	£	£
<u>Income</u>				
Unquoted Investment		1,575		1,500
Bank and Other Interest received		<u>8,483</u>		<u>55,139</u>
<u>Expenditure</u>				
Depreciation	227,465		231,832	
Less Transfer from				
Capital Expenditure Grants				
Equalisation A/c	<u>29,318</u>		<u>31,062</u>	
	198,147		200,770	
Depreciation over recovered				
on disposals	<u>3,103</u>		<u>744</u>	
		195,044		200,026
Hire of Plant & Machinery		301,649		302,412
Auditors' Remuneration		5,500		4,000
Directors' Remuneration:				
Remuneration as Managers	69,149		65,655	
Pension Fund Contributions	22,695		35,955	
Pensions to Former Directors	-		6,550	
Compensation for loss of				
office	<u>-</u>		<u>4,920</u>	
		<u>91,844</u>		<u>113,080</u>

11. DIRECTORS' EMOLUMENTS

	<u>1974</u>	<u>1973</u>
Chairman	<u>£16,560</u>	<u>£15,680</u>
Other Directors:		
£1 - £2,500	-	-
£2,501 - £5,000	-	3
£5,001 - £7,500	1	-
£7,501 - £10,000	4	3
£10,001 - £12,500	-	-
£12,501 - £15,000	1	1

12. TAXATION

The charge for the year represents Corporation Tax at the rate of 52% (1973 - average 45%) on the profits of the year after allowing for a Transfer to Deferred Taxation Account as follows:

	<u>1974</u>	<u>1973</u>
Corporation Tax due 1st January, 1976	161,000	520,000
Less Double Taxation Relief	<u>2,745</u>	<u>6,700</u>
	158,255	513,300
Taxation in Eire	<u>2,745</u>	<u>6,700</u>
	161,000	520,000
Transfer to Deferred Taxation Account for Current Year	<u>273,260</u>	<u>61,000</u>
	434,260	581,000
Prior year's adjustments due to overprovision and change in rate -		
Corporation Tax	( 295 )	-
Deferred	<u>12,740</u>	<u>52,000</u>
	12,445	52,000
	<u>446,705</u>	<u>633,000</u>
Adjustment due to stock appreciation relief	331,820	-
Less transferred to deferred	331,820	-

13. SUBSIDIARY COMPANIES

The Company owns the whole of the issued share capital (Ordinary Shares) of 'K' Shoes Limited incorporated in Eire and of W.H.H. Clarke and Company Limited, (Preference and Ordinary), incorporated in England.

14. ASSOCIATED COMPANY

The Company owns fifty per cent of the equity of John Tyler (London) Limited, a company incorporated in the United Kingdom. At 31st December, 1973, its share capital and reserves amounted to £11,637. The Company's share of the profits of this Company for the year ended that date amounted to £2,171 of which £1,055 has been received by way of dividend.

15. The Company's ultimate holding company is K Shoes Limited, a company incorporated in England.

16. The undertaking, property and assets of the Company are subject to floating charges in favour of :

The Trustees for the holders of the £415,500 6½% Debenture Stock 1984/89 and the £808,819 7½% Debenture Stock 1986/91 outstanding from the issues by K Shoes Limited, and the Department of Trade and Industry, to secure a loan of which £100,000 is outstanding.

17. STATEMENT REQUIRED BY PARAGRAPH 15 (14) PART II OF THE 8th SCHEDULE - COMPANIES ACT 1948

Group Accounts for Somervell Brothers Limited and its subsidiaries have not been prepared because Somervell Brothers Limited is itself a subsidiary of K Shoes Limited which produces its own Group Accounts. The net aggregate amount so far as concerns Somervell Brothers Limited of the subsidiaries' profits not dealt with in these accounts is :-

(i)	for the current financial year	-	£ 7,687
(ii)	for previous financial years	-	£72,693

The Directors of Somervell Brothers Limited are accordingly of the opinion that no useful purpose would be served by the presentation of Group Accounts for Somervell Brothers Limited and its subsidiaries.

18. CONTINGENT LIABILITIES

Indemnity given by the Company in respect of lost foreign bills receivable and discrepancy in the letter of credit undischarged at the Balance Sheet date amounted to £11,536 (1973 - NIL).

SOMERVELL BROTHERS LIMITED

	COST OR VALUATION			DEPRECIATION			N E T	
	At 30th September 1973	Adjustments and Additions	Disposals	Charged for the Year	At 30th September 1974	Disposals	1974	1973
<u>CGST</u>								
<u>Freehold Land &amp; Buildings</u>								
Freehold Land & Buildings	1,373,833	35,636	10	26,894	354,013	-	1,055,446	1,046,714
Recreational Outlay	20,716	-	-	778	15,555	-	5,161	5,939
	<u>1,394,549</u>	<u>35,636</u>	<u>10</u>	<u>27,672</u>	<u>369,568</u>	<u>-</u>	<u>1,060,607</u>	<u>1,052,653</u>
<u>Housing Estate and House Property</u>	<u>50,338</u>	<u>-</u>	<u>-</u>	<u>59</u>	<u>31,215</u>	<u>-</u>	<u>19,123</u>	<u>19,182</u>
<u>Leasehold Properties</u>								
Long Leasehold Factory	106,980	( 8,180)	-	2,038	2,038	-	96,762	106,980
Short Leasehold Warehouse	-	18,881	-	662	662	-	18,219	-
<u>VALUATION</u> (valued independently on an open market basis as at 30th September, 1972)	<u>650,000</u>	<u>-</u>	<u>-</u>	<u>21,000</u>	<u>63,000</u>	<u>-</u>	<u>587,000</u>	<u>608,000</u>
Short Leasehold Shop & Office Property								
<u>Plant and Machinery, Motor Vehicles, Furniture &amp; Fittings</u>								
Plant and Machinery	1,735,461	384,688	5,387	112,512	1,142,228	5,361	972,534	700,384
Motor Vehicles	157,355	57,359	35,879	20,698	58,179	23,359	120,556	96,515
Fixtures and Fittings	476,377	68,996	70	42,824	348,034	21	197,269	171,146
	<u>2,369,193</u>	<u>511,043</u>	<u>41,336</u>	<u>176,034</u>	<u>1,548,441</u>	<u>28,741</u>	<u>1,290,459</u>	<u>968,045</u>
<u>TOTAL</u>	<u>4,571,060</u>	<u>557,380</u>	<u>41,346</u>	<u>227,465</u>	<u>2,014,924</u>	<u>28,741</u>	<u>3,072,170</u>	<u>2,754,860</u>