

Financial statements

Footasylum Limited

For the year ended 28 February 2011

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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

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Report of the directors

The directors present their report and the audited financial statements for the year ended 28 February 2011 for Footasylum Limited (the "Company") and its subsidiary undertaking (the "Group")

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 £1,866,311 (2010: £1,711,327). The directors do not recommend the payment of a dividend (2010: Nil).

Business review

During the year, total sales increased by almost 55% and like-for-like sales (stores open for more than one year) improved at a higher level than prior years as sales densities continued to grow stronger in core stores. Gross margin was enhanced by 1.2% and stock turn again improved in contrast with the previous year. In conjunction, the group has also continued the development of its infrastructure in support of an increasing number of new stores and extension of its geographic footprint.

8 new stores were opened in key locations during the year and more are planned in the year to February 2012 as the business has continued to gain momentum, increase market share and progress positively. The group is well funded and maintains its focus and investment in infrastructure and strength of its management team. The directors are also confident that the business is well placed to exploit current market opportunities but continue forward on a prudent and cautious basis.

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:

	2011 £	2010 £
Turnover	27,525,800	17,761,102
Gross profit	12,915,536	8,121,277
Operating loss	1,873,494	1,707,521
Gross margin	46.9%	45.7%
Stock turnover	108 days	116 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
J Wardle

Report of the directors

Directors' Responsibilities Statement

The directors are responsible for preparing the Directors' Report and 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 the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and 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 are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company 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 each of the directors is aware

- there is no relevant audit information of which the company'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.

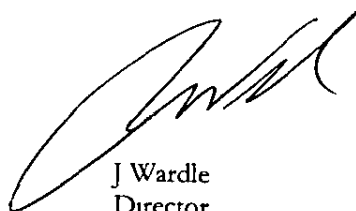
Post balance sheet events

On 1 September 2011, a resolution was passed to convert £5.3 million of loan notes into 5.3 million B preference shares of £1 each. The unaudited proforma balance sheet set out on page 12 shows the effect of this refinancing at 28 February 2011, as though the transactions had occurred at that date, but takes no account of any other transaction occurring since the year end.

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
29 September 2011

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 2011 which comprise the principal accounting policies, the group profit and loss account, the group and parent company balance sheets, the group cash flow statement, the group and parent company reconciliation of movement in shareholders' funds 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 Directors' Responsibilities Statement 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 and express an opinion on 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/private.cfm.

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 2011 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

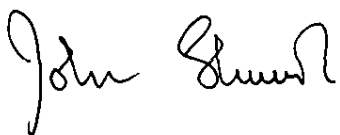
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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



John Shinnick
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP,
Statutory Auditor, Chartered Accountants
Manchester
29 September 2011

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 its 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 its 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.

Principal accounting policies

Fixed assets

All fixed assets are initially recorded at cost

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 separable 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

Following the hive up of the trade and assets of Drome Limited into Footasylum Limited on 1 March 2010, the investment has been reclassified as goodwill, being amortised over 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

Principal accounting policies

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 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 of 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	2011 £	2010 £
Turnover	1	27,525,800	17,761,102
Cost of sales		<u>(14,610,264)</u>	<u>(9,639,825)</u>
Gross profit		12,915,536	8,121,277
Administrative expenses	2	(14,789,030)	(9,828,798)
Operating loss	3	<u>(1,873,494)</u>	<u>(1,707,521)</u>
Net interest and other similar charges	5	7,183	7,492
Loss on ordinary activities before taxation		<u>(1,866,311)</u>	<u>(1,700,029)</u>
Tax on loss on ordinary activities	6	–	(11,298)
Loss on ordinary activities after taxation	18	<u><u>(1,866,311)</u></u>	<u><u>(1,711,327)</u></u>

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

All activities relate to continuing operations

The accompanying accounting policies and notes form part of these financial statements.

Consolidated balance sheet

	Note	Unaudited Proforma 2011 (note 22) £	Audited 2011 £	Audited 2010 £
Fixed assets				
Intangible fixed assets	8	443,549	443,549	528,035
Tangible assets	9	6,675,968	6,675,968	4,440,518
		<u>7,119,517</u>	<u>7,119,517</u>	<u>4,968,553</u>
Current assets				
Stocks – goods for resale		4,333,309	4,333,309	3,058,239
Debtors	11	1,109,587	1,109,587	1,024,622
Cash at bank		257,507	257,507	451,474
		<u>5,700,403</u>	<u>5,700,403</u>	<u>4,534,335</u>
Creditors: amounts falling due within one year	12	(4,218,813)	(4,218,813)	(2,948,724)
Net current assets		<u>1,481,590</u>	<u>1,481,590</u>	<u>1,585,611</u>
Total assets less current liabilities		8,601,107	8,601,107	6,554,164
Creditors, amounts falling due after more than one year	13	(1,206,159)	(6,506,159)	(2,592,905)
		<u>7,394,948</u>	<u>2,094,948</u>	<u>3,961,259</u>
Capital and reserves				
Called-up share capital	22, 16	18,705,000	13,405,000	13,405,000
Share premium account	17	249,100	249,100	249,100
Profit and loss account	18	(11,559,152)	(11,559,152)	(9,692,841)
Shareholders' funds	21	<u>7,394,948</u>	<u>2,094,948</u>	<u>3,961,259</u>

The unaudited proforma balance sheet is for illustrative purposes only and shows the effect on the year ended 28 February 2011 balance sheet of the loan note conversion that occurred on 1 September 2011, as if the transaction had taken place at 28 February 2011

These financial statements were approved by the directors and authorised for issue on 29 September 2011 and are signed on their behalf by


J. Wardle
Director

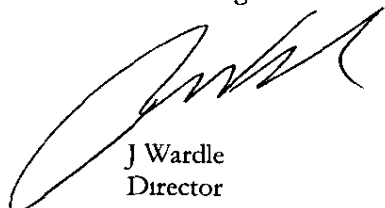
Footasylum Limited
Company registration number. 05535565

The accompanying accounting policies and notes form part of these financial statements.

Company balance sheet

	Note	2011 £	2010 £
Fixed assets			
Intangible fixed assets	8	1,112,413	–
Tangible assets	9	6,675,968	4,366,436
Investments	10	–	1,236,015
		<u>7,788,381</u>	<u>5,602,451</u>
Current assets			
Stocks		4,333,309	2,853,313
Debtors	11	1,819,752	1,935,176
Cash at bank		257,507	440,136
		<u>6,410,568</u>	<u>5,228,625</u>
Creditors: amounts falling due within one year	12	(4,218,813)	(2,860,727)
Net current assets		<u>2,191,755</u>	<u>2,367,898</u>
Total assets less current liabilities		9,980,136	7,970,349
Creditors: amounts falling due after more than one year	13	(6,506,159)	(2,590,945)
		<u>3,473,977</u>	<u>5,379,404</u>
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	(10,180,123)	(8,274,696)
Shareholders' funds	21	<u>3,473,977</u>	<u>5,379,404</u>

These financial statements were approved by the directors and authorised for issue on 29 September 2011 and are signed on their behalf by



J Wardle
 Director

Footasylum Limited
 Company registration number: 05535565

The accompanying accounting policies and notes form part of these financial statements.

Consolidated cash flow statement

	Note	2011 £	2010 £
Cash outflow from operating activities	19	<u>(680,916)</u>	<u>(1,601,500)</u>
Returns on investments and servicing of finance			
Interest received		<u>7,183</u>	<u>7,492</u>
Net cash inflow from returns on investments and servicing of finance		<u>7,183</u>	<u>7,492</u>
Taxation			
UK Corporation tax received		—	—
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		<u>(2,833,854)</u>	<u>(1,638,122)</u>
Receipts from disposals of tangible fixed assets		<u>13,620</u>	<u>2,000</u>
Net cash outflow from capital expenditure and financial investment		<u>(2,820,234)</u>	<u>(1,636,122)</u>
Net outflow before financing		<u>(3,493,967)</u>	<u>(3,230,130)</u>
Financing			
Net cash flow from borrowings	20	<u>3,300,000</u>	<u>2,000,000</u>
Net cash inflow from financing		<u>3,300,000</u>	<u>2,000,000</u>
Decrease in cash in the year	20	<u>(193,967)</u>	<u>(1,230,130)</u>

The accompanying accounting policies and notes form part of these financial statements.

Group and Parent company reconciliation of movement in shareholders' funds

Group

	2011 £	2010 £
Loss for the financial year	(1,866,311)	(1,711,327)
Opening shareholders' funds	3,961,259	5,672,586
Closing shareholders' funds	<u>2,094,948</u>	<u>3,961,259</u>

Company

	2011 £	2010 £
Loss for the financial year	(1,905,427)	(950,915)
Opening shareholders' funds	5,379,404	6,330,319
Closing shareholders' funds	<u>3,473,977</u>	<u>5,379,404</u>

The accompanying accounting policies and notes form part of these financial statements.

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

	2011 £	2010 £
United Kingdom	<u>27,525,800</u>	<u>17,761,102</u>

2 Other operating charges

	2011 £	2010 £
Distribution costs	11,058,710	7,315,745
Administrative expenses	<u>3,730,320</u>	<u>2,513,053</u>
	<u>14,789,030</u>	<u>9,828,798</u>

3 Operating loss

Operating loss is stated after charging/(crediting)

	2011 £	2010 £
Depreciation of owned fixed assets	577,939	347,514
Amortisation of goodwill	84,486	84,486
Impairment of fixed assets	4,322	(178,655)
Loss on disposal of fixed assets	2,523	—
Auditor's remuneration		
Audit fees	15,000	14,500
Other fees - taxation compliance	<u>4,000</u>	<u>3,500</u>

4 Directors and employees

The total employee costs during the year were as follows

	2011 £	Group 2010 £	2011 £	Company 2010 £
Wages and salaries	4,968,271	3,393,775	4,968,271	3,224,568
Social security costs	341,436	253,577	341,436	243,326
Pension costs	23,436	44,430	23,436	36,740
	<u>5,333,143</u>	<u>3,691,782</u>	<u>5,333,143</u>	<u>3,504,634</u>

The average number of employees during the year was as follows

	2011 Number	Group 2010 Number	2011 Number	Company 2010 Number
Retail	422	285	422	258
Administration	51	36	51	36
Warehouse	20	14	20	14
	<u>493</u>	<u>335</u>	<u>493</u>	<u>308</u>

Remuneration in respect of directors was as follows

	2011 £	2010 £
Emoluments receivable	77,856	215,081
Value of company pension contributions to money purchase schemes	6,752	20,970
	<u>84,608</u>	<u>236,051</u>

During the year, 2 directors (2010 2) participated in the money purchase pension scheme

Remuneration in respect of the highest paid director was as follows

	2011 £	2010 £
Emoluments receivable	68,191	108,849
Purchase schemes	6,752	792
	<u>74,943</u>	<u>109,641</u>

5 Net interest

	2011 £	2010 £
Bank interest receivable	7,887	7,492
Other interest payable	(704)	—
	<u>7,183</u>	<u>7,492</u>

6 Taxation on ordinary activities

The taxation on ordinary activities represents

	2011 £	2010 £
Current tax		
UK Corporation tax at 28% (2010 28%)	–	–
In respect of prior periods	–	11,298
	<u>–</u>	<u>11,298</u>
Deferred taxation	–	–
	<u>–</u>	<u>11,298</u>

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% (2010 28%) The differences are explained as follows

	2011 £	2010 £
Loss on ordinary activities before taxation	<u>(1,866,311)</u>	<u>(1,700,029)</u>
Loss on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 28% (2010 28%)	(522,567)	(476,008)
Effect of		
Expenses not deductible for tax purposes	136,737	166,519
Income not taxable for tax purposes	–	(103,894)
Capital allowances for the period in excess of depreciation	(108,020)	(59,521)
Adjustments in respect of prior periods	–	11,298
Other short term timing differences	(11,054)	30,870
Losses carried forward	<u>504,904</u>	<u>442,034</u>
Current tax charge for the year	<u>–</u>	<u>11,298</u>

Unrelieved tax losses of £9,733,644 (2010 £8,268,722) remain to offset against future taxable trading profits

There is a potential deferred tax asset of £2,449,408 (2010 £2,183,377) which has not been recognised in the financial statements in respect of these trade losses carried forward

On 23 March 2011, the Chancellor announced the reduction in the main rate of UK corporation tax to 26 per cent with effect from 1 April 2011 This change became substantively enacted on 29 March 2011 and therefore the effect of the rate reduction creates a reduction in the unrecognized deferred tax asset which has been included in the figures above

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 £1,905,427 (2010 £950,915)

8 Intangible fixed assets

Group	Goodwill
	£
Cost	
At 1 March 2010 and 28 February 2011	<u>844,860</u>
Amortisation	
At 1 March 2010	316,825
Provided in the year	<u>84,486</u>
At 28 February 2011	<u>401,311</u>
Net book value	
At 28 February 2011	<u>433,549</u>
At 28 February 2010	<u>528,035</u>
Company	Goodwill
	£
Cost	
At 1 March 2010	-
Reclassified from investments	<u>1,236,015</u>
At 28 February 2011	<u>1,236,015</u>
Amortisation	
Provided in the year	<u>123,602</u>
At 28 February 2011	<u>123,602</u>
Net book value	
At 28 February 2011	<u>1,112,413</u>
At 28 February 2010	<u>-</u>

Following the hive up of the trade and assets of Drome Limited into Footasylum Limited on 1 March 2010, the investment has been reclassified as goodwill, being amortised over 10 years

9 Tangible fixed assets

Group

	Fixtures & fittings £	Computer equipment £	Motor vehicles £	Total £
Cost				
At 1 March 2010	5,914,569	701,278	114,444	6,730,291
Additions	2,477,429	231,087	125,338	2,833,854
Disposals	—	—	(38,185)	(38,185)
At 28 February 2011	<u>8,391,998</u>	<u>932,365</u>	<u>201,597</u>	<u>9,525,960</u>
Depreciation				
At 1 March 2010	1,994,249	257,921	37,603	2,289,773
Charge for the year	420,381	125,142	32,416	577,939
Disposals	—	—	(22,042)	(22,042)
Impairment	4,322	—	—	4,322
At 28 February 2011	<u>2,418,952</u>	<u>383,063</u>	<u>47,977</u>	<u>2,849,992</u>
Net book value				
At 28 February 2011	<u>5,973,046</u>	<u>549,302</u>	<u>153,620</u>	<u>6,675,968</u>
At 28 February 2010	<u>3,920,320</u>	<u>443,357</u>	<u>76,841</u>	<u>4,440,518</u>

Company

	Fixtures & fittings £	Computer equipment £	Motor vehicles £	Total £
Cost				
At 1 March 2010	5,599,119	647,894	114,444	6,361,457
Additions	2,477,429	231,087	125,338	2,833,854
Transfers from subsidiary undertakings	315,449	53,384	—	368,833
Disposals	—	—	(38,185)	(38,185)
At 28 February 2011	<u>8,391,997</u>	<u>932,365</u>	<u>201,597</u>	<u>9,525,959</u>
Depreciation				
At 1 March 2010	1,729,193	228,225	37,603	1,995,021
Charge for the year	420,381	125,142	32,416	577,939
Transfers from subsidiary undertakings	265,055	29,696	—	294,751
Disposals	—	—	(22,042)	(22,042)
Impairment	4,322	—	—	4,322
At 28 February 2011	<u>2,418,951</u>	<u>383,063</u>	<u>47,977</u>	<u>2,849,991</u>
Net book value				
At 28 February 2011	<u>5,973,046</u>	<u>549,302</u>	<u>153,620</u>	<u>6,675,968</u>
At 28 February 2010	<u>3,869,926</u>	<u>419,669</u>	<u>76,841</u>	<u>4,366,436</u>

10 Investments

	Investment in subsidiary undertaking £
Cost and net book value	
At 1 March 2010	1,236,015
Reclassified as goodwill (see note 8)	<u>(1,236,015)</u>
At 28 February 2011	<u><u>—</u></u>

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

	2011 £	Group 2010 £	2011 £	Company 2010 £
Trade debtors	68,882	16,492	68,882	16,492
Amounts due from group undertakings	—	—	710,165	977,775
Other debtors	315,460	406,838	315,460	405,904
Prepayments and accrued income	725,245	601,292	725,245	535,005
	<u>1,109,587</u>	<u>1,024,622</u>	<u>1,819,752</u>	<u>1,935,176</u>

12 Creditors: amounts falling due within one year

	2011 £	Group 2010 £	2011 £	Company 2010 £
Trade creditors	2,157,446	1,853,896	2,157,446	1,809,229
Other taxation and social security	995,258	419,961	995,258	419,961
Other creditors	1,066,109	674,867	1,066,109	631,537
	<u>4,218,813</u>	<u>2,948,724</u>	<u>4,218,813</u>	<u>2,860,727</u>

13 Creditors: amounts falling due after more than one year

	2011 £	Group 2010 £	2011 £	Company 2010 £
Directors' loan accounts	5,300,000	2,000,000	5,300,000	2,000,000
Other creditors	1,206,159	592,905	1,206,159	590,945
	<u>6,506,159</u>	<u>2,592,905</u>	<u>6,506,159</u>	<u>2,590,945</u>

14 Leasing commitments

At 28 February 2011, the group had aggregate annual commitments under non-cancellable operating leases as set out below

Group

	2011 £	2010 £
Operating leases which expire		
Land and buildings - After five years	<u>5,202,054</u>	<u>3,077,000</u>

Company

	2011 £	2010 £
Operating leases which expire		
Land and buildings - After five years	<u>5,202,054</u>	<u>3,077,000</u>

15 Related party transactions

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

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

16 Share capital

Authorised share capital

	2011 £	2010 £
5,000 (2010 5,000) 'A' Ordinary shares of £1 each	5,000	5,000
19,995,000 (2010 19,995,000) 'B' Preference shares of £1 each	<u>19,995,000</u>	<u>19,995,000</u>
	<u>20,000,000</u>	<u>20,000,000</u>

16 Share capital (continued)

Allotted and called up

	No	2011 £	No	2010 £
'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
	<u>13,405,000</u>	<u>13,405,000</u>	<u>13,405,000</u>	<u>13,405,000</u>

Amounts presented in equity

	2011 £	2010 £
'A' Ordinary shares of £1 each	5,000	5,000
'B' Preference shares fully paid of £1 each	13,400,000	13,400,000
	<u>13,405,000</u>	<u>13,405,000</u>

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

	2011 £
At 1 March 2010 and 28 February 2011	<u>249,100</u>

18 Reserves

Group

	Profit and loss account £
At 1 March 2010	(9,692,841)
Loss for the year	<u>(1,866,311)</u>
At 28 February 2011	<u>(11,559,152)</u>

Company

	Profit and loss account £
At 1 March 2010	(8,274,696)
Loss for the year	<u>(1,905,427)</u>
At 28 February 2011	<u>(10,180,123)</u>

19 Reconciliation of operating loss to operating cash flows

	2011 £	2010 £
Operating loss	(1,873,494)	(1,707,521)
Impairment of fixed assets	4,322	(178,655)
Depreciation of owned fixed assets	577,939	347,514
Amortisation of goodwill	84,486	84,486
Loss on disposal of fixed assets	2,523	—
Increase in stocks	(1,275,070)	(764,509)
Increase in debtors	(84,965)	(101,777)
Increase in creditors	1,883,343	718,962
Net cash outflow from operating activities	<u>(680,916)</u>	<u>(1,601,500)</u>

20 Reconciliation of net cash flow to movement in net debt

	2011 £	2010 £
Decrease in cash in the year	(193,967)	(1,230,130)
Cash inflow from movement in debt	<u>(3,300,000)</u>	<u>(2,000,000)</u>
Increase in net debt resulting from cash flows	<u>(3,493,967)</u>	<u>(3,230,130)</u>
Opening net (debt) / funds	<u>(1,548,526)</u>	1,681,604
Closing net debt	<u>(5,042,493)</u>	<u>(1,548,526)</u>

21 Analysis of net debt

	At 1 March 2010	Cashflow	At 28 February 2010
Cash at bank and in hand	<u>451,474</u>	<u>(193,967)</u>	<u>257,507</u>
Debt due after one year	<u>(2,000,000)</u>	<u>(3,300,000)</u>	<u>(5,300,000)</u>
	<u>(1,548,526)</u>	<u>(3,493,967)</u>	<u>(5,042,493)</u>

22 Post balance sheet events

On 1 September 2011, a resolution was passed to convert £5.3 million of loan notes into 5.3 million B preference shares of £1 each. The unaudited proforma balance sheet set out on page 12 shows the effect of this refinancing at 28 February 2011, as though the transactions had occurred at that date, but takes no account of any other transaction occurring since the year end.

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.