

465430/157

K SHOES LIMITED

DIRECTORS' REPORT AND ACCOUNTS
16 MONTHS ENDED 30TH JANUARY, 1982

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



K SHOES LIMITEDDIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited accounts for the 16 months ended 30th January, 1982.

1. Results and Dividends:

The results of the period are set out in the group profit and loss account on page 6. No interim dividend was paid; a final dividend of £2,595,234 on the ordinary shares is now proposed. The dividend payment due on 30th September, 1981 on the preference shares has been waived.

2. Issue of Shares:

Following the successful offer by C. & J. Clark Limited to the shareholders to acquire the whole of the share capital of the company and the passing of a Special Resolution at the Extraordinary General Meeting held on 14th January, 1981:

- 2.1 each of the then existing unissued ordinary shares of 25p each were sub-divided into 25 ordinary shares of 1p each.
- 2.2 the sum of £235,743.04 standing to the credit of the share premium account was applied in paying up in full 23,574,304 new ordinary shares of 1p each, which were allotted and distributed credited as fully paid to the existing holders of ordinary shares.
- 2.3 the existing ordinary shares of 25p each already issued were converted into deferred shares of 25p each.

3. Directors:

The following served as Directors during the period:

S. Crookenden, CBE, MC,	Chairman
G.O. Probert	Managing Director
J.D. Younie, DFC	(Resigned 14th January, 1981)
J.R. Peat, FCA	(Resigned 31st January, 1982)
D.G. MacDonald	(Appointed 20th January, 1981)
J.D. Clark	(Appointed 20th January, 1981)
J.W.G. Frith, FCA	(Appointed 20th March, 1981)
D.J. Hawkes	(Appointed 20th March, 1981)
P. Hickson	

4. Directors' Interests:

No director has an interest in the shares or debentures of K Shoes Limited. Mr. S. Crookenden, Mr. G.O. Probert, Mr. J.D. Clark and Mr. J.W.G. Frith are directors of C. & J. Clark Limited, the company's holding company, and have not therefore notified this company of their interests in other group companies. The remaining directors had the following interests in other group companies at 30th January, 1982:

C. & J. Clark Limited
Ordinary shares of £1 each

J.R. Peat	15,789
D.G. MacDonald	3,000
D.J. Hawkes	3,000
P. Hickson	400

These shares were all held beneficially and were all acquired during the period.

K SHOES LIMITEDDIRECTORS' REPORT 1981
(Continued)

5. Group Activities:

The principal activities of the group continue to be the manufacture and sale of footwear.

6. Charitable Contributions:

During the period these amounted to £5,202 (1980 - £3,704). No political contributions were made.

7. Disabled Employees:

The K Shoes Group gives every consideration to the employment of disabled people. When necessary and possible, special training is given to prepare disabled persons for work and every effort is made to continue to employ those who become disabled during their employment in the company, either as a result of accident or illness, whether or not sustained at work. Disabled people are given opportunities for development and promotion.

8. Taxation Status:

The company is a close company as defined by the Income and Corporation Taxes Act, 1970.

9. 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,
Cumbria

4th March, 1982.

REPORT OF THE AUDITORS
TO THE MEMBERS OF K SHOES LIMITED

We have audited the accounts set out on pages 4 to 18 in accordance with approved auditing standards. The accounts have been prepared on the basis of the accounting policies set out on pages 4 and 5.

The accounts have not been prepared in accordance with Statement of Standard Accounting Practice No. 6 for the reasons set out by the directors in the introductory paragraph to the notes to the accounts on page 9.

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at 30th January, 1982 and of the profit and source and application of funds of the group for the period to that date and comply with the Companies Acts 1948 to 1981.

The accounts do not contain the current cost accounts required by Statement of Standard Accounting Practice No. 16

PEAT, MARWICK, MITCHELL & CO.

Chartered Accountants

Airedale House,
Albion Street,
Leeds LS1 5TY.

12th March, 1982.

K SHOES LIMITEDACCOUNTING POLICIES16 MONTHS ENDED 30TH JANUARY, 1982

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

Accounting Convention

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

Basis of consolidation

The accounts of all subsidiaries are made up to the accounting date and are incorporated in the consolidated accounts. The results of new subsidiaries are included from the effective date of purchase and the results of subsidiaries ceasing to trade are included to the date of cessation. Profits relating to intra-group trading have been eliminated.

Foreign Currencies

Amounts stated in foreign currencies are translated into sterling at the rates ruling at the accounting date. Consequent adjustments to the values of fixed assets situated overseas and long-term loans used to finance these assets are included in the revaluation surplus.

Fixed Assets

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

- a. Freehold and leasehold land and buildings are stated at their estimated open market value on an existing use basis.
- b. Substantially all other fixed assets are stated at net current replacement cost. The gross current replacement cost is determined either in relation to the movement in the appropriate U.K. official indices since the year of acquisition or in the case of assets situated in Holland in relation to the movement in local equivalent indices. 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 net realisable value.

Depreciation

Depreciation is provided on non-residential freehold buildings at a rate of 2% per annum. Long leasehold property is amortised by equal annual instalments over 50 years. Short leasehold property is amortised by equal annual instalments over the remaining period of the lease.

Plant, machinery, motor vehicles and fixtures 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.

K SHOES LIMITED

ACCOUNTING POLICIES

16 MONTHS ENDED 30TH JANUARY, 1962

Stocks

The manufacturing company values stocks and work-in-progress at the estimated cost of raw materials, labour and factory overheads, less provisions, where necessary, to reduce them to net realisable value. Retail companies value stocks at the lower of cost and net realisable value.

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 possible liability to taxation unless there is a reasonable probability that it will arise in the foreseeable future.

Capital Expenditure Grants

Grants are credited to the cost of the appropriate assets when received.

Research and Development

All expenditure is written off when incurred.

Turnover

Turnover represents the value of goods invoiced to external customers, net of value added tax.

K SHOES LIMITEDGROUP PROFIT AND LOSS ACCOUNT16 MONTHS ENDED 30TH JANUARY, 1982

	ote	16 months ended 30th January, 1982	12 months ended 30th September, 1980
		<u>£000's</u>	<u>£000's</u>
Turnover		89,736	71,291
Trading profit	1	5,131	5,708
Interest (net)	2	704	(172)
Profit before taxation and extraordinary items		5,835	5,536
Taxation	3	(4,099)	(1,858)
Profit after taxation		1,736	3,678
Extraordinary items	4	-	(247)
Net earnings for period after extraordinary items (of which £3,070,000 (1980 - £838,000) is dealt with in the accounts of K Shoes Limited)		1,736	3,431
Dividends	5	(2,601)	(954)
Transfer (from)/to reserves		(865)	2,477

The notes referred to above
form part of these accounts.

K SHOES LIMITEDBALANCE SHEETAT 30TH JANUARY, 1982

	Note	THE GROUP		THE COMPANY	
		1982 £000's	1980 £000's	1982 £000's	1980 £000's
Current Assets:					
Bank balances and cash		122	1,038	-	923
Short-term deposits		-	3,808	-	3,808
Debtors and prepayments		4,052	5,346	80	30
Due from ultimate holding company		10,500	-	10,500	-
Due from fellow subsidiary companies		46	-	-	-
Stock and work in progress	7	18,108	18,545	-	-
Dividends receivable from subsidiaries		-	-	3,000	750
		<u>32,828</u>	<u>28,737</u>	<u>13,580</u>	<u>5,511</u>
Current Liabilities:					
Due to bankers		799	243	577	-
Creditors and accruals		8,220	8,434	123	463
Due to fellow subsidiary company		122	-	-	-
Short-term loans (secured)	14	2,445	256	2,000	-
Current taxation		1,736	529	61	66
Proposed final dividend		2,595	660	2,595	660
		<u>15,917</u>	<u>10,122</u>	<u>5,356</u>	<u>1,189</u>
Net current assets		<u>16,911</u>	<u>18,615</u>	<u>8,224</u>	<u>4,322</u>
Fixed assets	8	17,319	12,190	-	-
Investments	10	59	9	49	9
Subsidiary companies	11	-	-	47	5,230
Advance corporation tax recoverable on or after 1st January, 1983		-	505	200	505
		<u>34,289</u>	<u>31,319</u>	<u>8,520</u>	<u>10,066</u>
Representing:					
Share capital	12	6,479	6,244	6,479	6,244
Reserves	13	<u>22,800</u>	<u>17,107</u>	<u>889</u>	<u>655</u>
		23,279	23,351	7,368	6,899
Loans and debentures	14	2,996	5,455	1,152	3,167
Capital expenditure grants	15	-	587	-	-
Future Taxation:					
Corporation tax due 1st May, 1983		424	1,925	-	-
Deferred taxation	16	<u>1,590</u>	-	-	-
		<u>34,289</u>	<u>31,319</u>	<u>8,520</u>	<u>10,066</u>
The notes referred to above form part of these accounts		=====	=====	=====	=====

These accounts were approved by the directors on 4th March, 1982.

G.O. PROBERT)

) Directors

J.R. PEAT)

K SHOES LIMITEDSTATEMENT OF SOURCE AND APPLICATION OF FUNDS16 MONTHS ENDED 30TH JANUARY, 1982

	<u>16 months ended</u> <u>30th January, 1982</u>		<u>12 months ended</u> <u>30th September, 1980</u>	
	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
SOURCE OF FUNDS				
Profit before taxation		5,835		5,536
Depreciation (net) less surplus on sale of leasehold properties		2,027		838
TOTAL GENERATED BY OPERATIONS		7,862		6,374
FUNDS FROM OTHER SOURCES				
Ordinary shares issued	-		606	
Sale of fixed assets	119		161	
		119		767
		7,981		7,141
APPLICATION OF FUNDS				
Dividends paid	666		691	
Taxation paid	2,298		1,577	
Fixed assets acquired less attributable grants	1,074		3,254	
Debentures repurchased	10		113	
Loans repaid	256		225	
Investments	50		-	
Funds transferred to ultimate holding company	10,500		-	
		14,854		5,860
		(6,873)		1,281
		=====		=====
(DECREASE)/INCREASE IN WORKING CAPITAL				
Stocks	(437)		784	
Debtors	(1,248)		255	
Creditors	92		21	
		(1,593)		1,060
MOVEMENT IN NET LIQUID FUNDS				
Bank and cash balances		(5,280)		221
		(6,873)		1,281
		=====		=====

K SHOES LIMITEDNOTES TO THE ACCOUNTS

On 20th January, 1981 K Shoes Limited became a subsidiary of C. & J. Clark Limited. Consequently the board of K Shoes Limited have adopted the accounting policies of C. & J. Clark Limited. These policies differ in a number of ways from those formerly used by K Shoes Limited, particularly in the context of fixed assets, stock valuation and deferred taxation. The work involved in restating the reserves at either 1st October, 1980 or at the date that C. & J. Clark Limited obtained effective control of K Shoes Limited was such that the directors of K Shoes Limited felt that it would have been out of all proportion to the value of that information to the shareholders. Accordingly the opening and comparative figures have not been restated although this means that the accounts do not comply with Statement of Standard Accounting Practice No. 6. The approximate effects on the results of the period following the change of ownership and accounting policies are set out in the notes below.

1. TRADING PROFIT

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

	16 months ended 30th January, 1982		12 months ended 30th September, 1980	
	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
Expenditure:				
Depreciation				
- Historical cost basis	1,333		957	
- Additional depreciation	637		-	
	<u>1,970</u>		<u>957</u>	
Add: depreciation under/(over) provided on disposals				
- Historical cost basis	28		(25)	
- Additional depreciation	<u>29</u>		<u>-</u>	
		2,027		932
Provision for cost of exceptional repairs		-		200
Renewals of fixtures		276		246
Hire of plant		749		521
Auditors' remuneration		60		49
Directors' remuneration (Note 6)				
Fees	4		3	
As managers	153		74	
Pension contributions	<u>40</u>	197	<u>22</u>	99
		=====		===
Income:				
Exceptional credit arising from change in method of eliminating intra-group stock profits		1,052		-
Dividends from unlisted investments		14		3
Surplus on sale of leasehold properties		-		94
		=====		====

K SHOES LIMITEDNOTES TO THE ACCOUNTS
(continued)

2. INTEREST (NET)

	16 months ended 30th January, 1982		12 months ended 30th September, 1980	
	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
Deposit and other interest receivable		1,595		536
Less: interest payable				
Interest on loans repayable within 5 years	757		4	
Bank interest	53		27	
Other interest	81		677	
		<u>891</u>		<u>708</u>
		704		(172)

3. TAXATION

	16 months ended 30th January, 1982		12 months ended 30th September, 1980	
	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
U.K. Corporation tax based on the profits for the period at 52%	2,521		2,096	
Foreign taxation	25		17	
	<u>2,546</u>		<u>2,113</u>	
Transfer to/(from) deferred taxation (note 16)	1,590		(259)	
	<u>4,136</u>		<u>1,854</u>	
(Over)/under-provision relating to prior periods	(37)		4	
	<u>4,099</u>		<u>1,858</u>	

4. EXTRAORDINARY ITEMS

	16 months ended 30th January, 1982		12 months ended 30th September, 1980	
	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
Profit on debentures repurchased	-			48
Goodwill purchased	-			(43)
Redundancy and closure costs	-		(525)	
Less: relief from future corporation tax	-		273	
	<u>-</u>	<u>-</u>	<u>(252)</u>	<u>(247)</u>

Profit on debentures repurchased and goodwill written off have been dealt with in arriving at profit before taxation during the sixteen months ended 30th January, 1982.

5. DIVIDENDS

	16 months ended 30th January, 1982		12 months ended 30th September, 1980	
	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
Preference		6		11
Ordinary	-		283	
Proposed:				
Ordinary	<u>2,595</u>		<u>660</u>	
		<u>2,595</u>		<u>943</u>
		2,601		954

The dividend due on the preference shares on 30th September, 1981 was waived.

K SHOES LIMITEDNOTES TO THE ACCOUNTS
(continued)

6. DIRECTORS' AND EMPLOYEES' REMUNERATION

The remuneration (exclusive of pension contributions) of the directors of the company fell into the following ranges:

	16 months ended 30th January, 1982	12 months ended 30th January, 1982	12 months ended 30th September, 1980
£ nil to £ 5,000	4	3	2
£10,001 to £15,000	-	-	1
£15,001 to £20,000	2	2	-
£20,001 to £25,000	1	1	-
£25,001 to £30,000	-	-	1
£30,001 to £35,000	-	1	-
£35,001 to £40,000	1	-	1
£40,001 to £45,000	-	1	-
£50,001 to £55,000	1	-	-
Chairman	£19,547	£15,112	£12,552
Highest paid director	£53,389	£42,884	£36,059

The remuneration (exclusive of pension contributions) of employees of the group paid in excess of £20,000 fell into the following ranges:

	16 months ended 30th January, 1982	12 months ended 30th January, 1982	12 months ended 30th September, 1980
£20,001 to £25,000	2	2	1
£25,001 to £30,000	1	1	-
£30,001 to £35,000	2	-	-

7. Stock and Work in Progress

	1982 £000's	1980 £000's
Stock comprises:		
Raw materials	1,764	3,150
Work in progress	1,942	2,387
Finished goods	14,402	13,008
	18,108	18,545

The stock of lasts and moulds amounting to £434,000 was written off at 1st October, 1980 because of the increasing rate of obsolescence through fashion change.

K SHOES LIMITED

NOTES TO THE ACCOUNTS
(continued)

8. Fixed Assets

Cost or valuation	Freehold and leasehold land and buildings £000's	Plant, machinery, motor vehicles and fixtures £000's	Total £000's
At 1st October, 1980			
Cost	4,490	9,730	14,220
Valuation	4,105	-	4,105
Transfer from capital expenditure grants account (note 15)	-	(587)	(587)
Transfers	1,013	(1,013)	-
Additions at cost	434	990	1,424
Revaluation adjustments	3,309	7,549	10,858
Disposals	(397)	(2,605)	(3,002)
Capital expenditure grants received	-	(350)	(350)
Exchange rate adjustments	(14)	(8)	(22)
	12,940	13,706	26,646
At 30th January, 1982			
Cost	395	1,209	2,104
Valuation	12,045	12,497	24,542
	12,940	13,706	26,646
Depreciation			
At 1st October, 1980	1,434	4,701	6,135
Transfers	434	(434)	-
Charged to profit and loss account	299	1,671	1,970
Revaluation adjustments	(1,523)	5,577	4,054
Disposals	(394)	(2,433)	(2,827)
Exchange rate adjustments	-	(5)	(5)
	250	9,077	9,327
Value to the business			
At 30th January, 1982	12,690	4,629	17,319

The net balance sheet value includes the following amounts for freehold and leasehold land and buildings:

	1982 £000's	1980 £000's
Freehold	10,316	5,804
Leasehold - long leases	989	650
- short leases	1,385	707
	12,690	7,161

K SHOES LIMITEDNOTES TO THE ACCOUNTS
(continued)

8. Fixed Assets (continued)

Valuation

Land and Buildings

a. Manufacturing Companies

Freehold and leasehold land and buildings with the exception of buildings under construction, residential property and certain short leasehold property in Eire have been revalued at 30th January, 1982 by the directors on the basis of their estimated open market value for their existing use.

b. Retailing companies

Freehold and long leasehold properties excluding additions during the period have been revalued by the directors on the basis of their estimated open market value for their existing use at 30th January, 1982.

The directors consider that the value to the business of the short leasehold property is equivalent to the amount at which it is carried in the accounts.

Plant, machinery, motor vehicles and fixtures

The gross replacement cost of plant, machinery, motor vehicles and fixtures has been estimated by the directors at 30th January, 1982 by reference to the movement in the relevant price indices.

9. Capital Commitments

	<u>1982</u> <u>£000's</u>	<u>1980</u> <u>£000's</u>
Commitments not provided for in the accounts	919	42
Expenditure authorised but not contracted for	-	-
	<u>919</u>	<u>42</u>

K SHOES LIMITEDNOTES TO THE ACCOUNTS
(continued)

10. Investments

	<u>1982</u> <u>£000's</u>	<u>1980</u> <u>£000's</u>
The Company		
Unlisted shares - directors' valuation		
£65,000 (1980 - £25,000)	49	9
Subsidiaries		
Unlisted shares - directors' valuation		
£20,000 (1980 - £10,000)	10	-
	—	—
	59	9
	—	—

The directors consider that the income from the investments does not materially affect the profit for the period or the assets of the company and, therefore, have omitted the information required by Section 4, paragraph (1) of the Companies Act 1967. Certain companies in which the company has invested are regarded as associated companies. The results of these associated companies have been omitted from the consolidated accounts on the grounds that their inclusion would involve expense and delay out of proportion to the value to the members of the company.

11. Subsidiary Companies

	<u>1982</u> <u>£000's</u>	<u>1980</u> <u>£000's</u>
Cost of shares	1,414	1,414
Amounts due from subsidiaries	1,486	6,806
	—	—
	2,900	8,220
Less: amounts due to subsidiaries	2,853	2,990
	—	—
	47	5,230
	—	—

A list of subsidiary companies appears on page 18.

12. Share Capital

Share Capital	1982		1980	
	Authorised	Issued and	Authorised	Issued and
	£000's	fully paid £000's	£000's	fully paid £000's
Ordinary shares of 1p each	1,606	235	-	-
Ordinary shares of 25p each	-	-	7,500	5,894
Deferred shares of 25p each	5,894	5,894	-	-
4.5% (now 3.15% plus tax credit) cumulative preference shares of £1 each	350	350	350	350
	7,850	6,479	7,850	6,244

K SHOES LIMITED.
NOTES TO THE ACCOUNTS
 (continued)

13. Reserves

<u>The Group</u>	<u>Distributable Reserves</u> <u>£000's</u>	<u>Non-Distributable reserves</u> <u>£000's</u>	<u>Total</u> <u>£000's</u>
Balance at 30th September, 1980:			
Share premium account	-	340	340
Revaluation surplus	311	1,627	1,938
Profit and loss account	<u>14,829</u>	<u>-</u>	<u>14,829</u>
	15,140	1,967	17,107
Movements during the period:			
Transfer to profit and loss account	(865)	-	(865)
Revaluation of property	1,296	3,536	4,832
Currency fluctuations	-	(11)	(11)
Current cost uplift on plant, machinery, motor vehicles and fixtures	-	1,972	1,972
Capitalisation issue of ordinary shares of 1p each	<u>-</u>	<u>(235)</u>	<u>(235)</u>
Balance at 30th January, 1982	<u>15,571</u>	<u>7,229</u>	<u>22,800</u>
Being:			
Share premium account	-	105	105
Surplus on revaluation of property	1,607	5,152	6,759
Current cost uplift on plant, machinery, motor vehicles and fixtures	-	1,972	1,972
Profit and loss account	<u>13,964</u>	<u>-</u>	<u>13,964</u>
	15,571	7,229	22,800
<u>The Company</u>			
Balance at 30th September, 1980:			
Share premium	-	340	340
Profit and loss account	<u>315</u>	<u>-</u>	<u>315</u>
	315	340	655
Movements during the period:			
Profit for period	3,070	-	3,070
Dividends	(2,601)	-	(2,601)
Capitalisation issue of ordinary shares of 1p each	<u>-</u>	<u>(235)</u>	<u>(235)</u>
Balance at 30th January, 1982	<u>784</u>	<u>105</u>	<u>889</u>
Being:			
Share premium account	-	105	105
Profit and loss account	<u>784</u>	<u>-</u>	<u>784</u>
	784	105	889

K SHOES LIMITED

NOTES TO THE ACCOUNTS
(continued)

14. Loans and Debentures

	1982 £000's	1980 £000's
The Company:		
Unsecured:		
Variable Rate Loan 1983	314	319
Secured:		
6.5% Debenture Stock 1984/89	242	242
7.5% Debenture Stock 1986/91	596	606
Variable Rate Loan (originally 1986/92)	2,000	2,000
	<u>2,842</u>	<u>2,967</u>
	3,152	3,167
Subsidiaries:		
Secured:		
9.25% Loan 1979/80	-	45
8.5% Loan 1981/86	2,289	2,500
	<u>2,289</u>	<u>2,545</u>
	5,441	5,712
Less: Loans repayable within one year	2,445	256
	<u>2,996</u>	<u>5,456</u>

The outstanding 6.5% and 7.5% debentures are repayable at par on 30th September, 1989 and 1991 respectively unless previously redeemed by purchase or annual drawings. The 8.5% loan 1981/86 is repayable by annual instalments over the repayment period shown. The variable rate loan (originally 1986/92) is to be repaid during 1982.

	1982 £000's	1980 £000's
The loans and debentures are repayable:		
Between one and two years	794	445
Between two and five years	1,538	1,986
In five years or over	664	3,025
	<u>2,996</u>	<u>5,456</u>

15. Capital Expenditure Grants

	1982 £000's
Balance at 30th September, 1980, net of amount transferred to profit and loss account	587
Transfer to fixed assets (note 8)	587
Balance at 30th January, 1982	<u>-</u>

Until 30th September, 1980 capital expenditure grants were treated as a deferred credit and disclosed separately in the balance sheet. At 1st October, 1980 these grants were credited to the cost of the fixed assets in respect of which they were received.

K SHOES LIMITEDNOTES TO THE ACCOUNTS
(continued)

16. Deferred Taxation

	<u>1982</u> <u>£000's</u>	<u>1980</u> <u>£000's</u>
Tax arising from:		
Excess of tax allowances over depreciation	2,268	-
Special revenue expenditure	(678)	-
	<u>1,590</u>	<u>-</u>
No provision has been made for the balance of the full potential liability amounting to:		
Surplus on revaluation of land and buildings	1,702	494
Surplus on revaluation of other fixed assets	433	-
Excess of tax allowances over depreciation	-	2,360
Stock appreciation relief	-	4,588
Special revenue expenditure	-	(603)
Other timing differences	<u>46</u>	<u>5</u>
	<u>2,181</u>	<u>6,844</u>

The directors as of 30th January, 1982 have decided to make full provision for deferred taxation on the excess of tax allowances over depreciation.

Deferred taxation has not been provided on the surplus on revaluation of land and buildings and other fixed assets on the grounds that it is not expected that these potential liabilities will crystallise in the foreseeable future.

In accordance with the provisions of the Finance Act 1981 stock appreciation relief claimed no longer constitutes a potential taxation liability.

17. Contingent Liabilities

1. Under a group registration the company is jointly and severally liable for value added tax due by certain other group companies. At 30th January, 1982 this contingent liability amounted to £333,000 (1980 - £1,599,000).

2. The company has guaranteed repayment by one of its Netherlands subsidiaries of a bank overdraft. At 30th January, 1982 the amount of the bank overdraft was £222,000 (1980 - £171,000).

3. A subsidiary company has guaranteed a loan of £9,750 to an employees' sports association and the bank overdraft of an associated company up to a maximum limit of £55,000.

18. Ultimate Holding Company

The company's ultimate holding company is C. & J. Clark Limited, a company incorporated in the United Kingdom.

19. Taxation Status

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

K SHOES LIMITEDLIST OF SUBSIDIARY COMPANIES - ALL WHOLLY OWNEDShares held directly

Registered in England	K Shoemakers Limited	Ordinary
	K Shoe Shops Limited	Ordinary
	Watercrock Nominees Limited	Ordinary
Incorporated in the Netherlands	K Shoes B.V.	Ordinary
	Chaussures Modernes B.V.	Ordinary
	Hessels Modeschoeisel B.V.	Ordinary

Shares held through subsidiary companies

Registered in England	Abbotts Shoes Limited	Ordinary
	John Bird Limited	Ordinary
	W.H.H. Clarke & Co. Limited	Ordinary
	Lakeland Footwear Limited	Ordinary
	Somervell Brothers Limited	Ordinary
	J.H. Peel Limited	Ordinary and preference
	H.E. Randall Limited	Ordinary and preference
Registered in Scotland	Baldwin Smith Limited	Ordinary
	Morrisons Ayr Shoe Stores Limited	Ordinary and preference
	Andrew Dykes Limited	Ordinary
Registered in Northern Ireland	Warner's Limited	Ordinary
Registered in the Isle of Man	Mannin Shoes Limited	Ordinary
Incorporated in Eire	'K' Shoes Limited	Ordinary
Incorporated in the Netherlands	N.V. Hessels Schoenmakerijen	Ordinary

The audits of the accounts of the above subsidiaries, with the exception of those incorporated in the Netherlands and 'K' Shoes Limited, have been carried out by Peat, Marwick, Mitchell & Co.