

Start-rite Retail Limited

Directors' report and financial
statements

Registered number 1282829

1 January 2000

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Company information

Directors

Peter J Lamble BSc ACMA	-	Chairman
Michael J Hodgkinson	-	Managing Director
Stuart Tinkler		
Jane Wilson BA		

Secretary

Christopher J Speake MA

Registered Office

Crome Road
Norwich

Auditors

Grant Thornton
Norwich

Bankers

Barclays Bank PLC
Norwich

Directors' report

The directors present their annual report and the financial statements for the 53 weeks ended 1 January 2000.

Principal activity

The principal activity of the company during the year was that of shoe retailing.

Business review

The company experienced a turbulent year in 1999, resulting in a substantial pre-tax loss. The Directors have taken action to address the issues involved. This will include a rationalisation of the shop portfolio, and significant work to improve the gross profit achieved on sales. Conditions remain difficult for traditional high street retailing, and the company is exploring alternative ways of reaching and servicing consumers, as well as providing a sharper focus within its shops.

The results for the year are shown on page 6 and the company's state of affairs on page 7.

Directorate

The directors listed on page 1 were in office though out the period and, with the exception of Mr S Tinkler, are directors of the parent undertaking. Their interests in the share capital of the parent undertaking are shown in that company's financial statements. Mr JG Church resigned on 31 December 1998, Mr DJH White resigned on 8 April 1999 and Mr MF Hull retired on 25 February 2000.

Employee involvement

All employees are kept informed of the company's policies and performance, and regular communications meetings are held by management.

The company, with its staff scattered over more than 50 shops across the country, produces a regular weekly diary and newsletter which is seen by every member of staff.

Disabled employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies, having regard to their particular aptitudes and abilities.

Should a person become disabled while in the groups employment, every effort is made to retain them in employment, giving alternative training as necessary.

Year 2000

The directors have taken steps to attempt to ensure that the company's computer and other equipment will accommodate the year 2000. The directors have not experienced any problems with this to date and do not expect any significant issues to arise in connection with this in the future.

Auditors

On 4 February 2000 KPMG resigned as auditors following the closure of their Norwich office and Grant Thornton were appointed in their place.

Directors' report *(continued)*

Environmental policy

The company remains committed to a policy which recognises the environmental issues in all aspects of its business. It seeks to minimise the impact of its activities on the environment so that the company's economic growth is not achieved at the expense of degrading the environment for our employees, our customers or future generations.

By order of the board

CJ Speake
Secretary



Crome Road
Norwich

11 April 2000

At an extraordinary general meeting on 15 October 1990 an elective resolution was passed in accordance with Section 379A of the Companies Act 1985 by which the company dispensed with the holding of annual general meetings, laying financial statements before the members and annual appointment of auditors.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Grant Thornton

Holland Court
The Close
Norwich
NR1 4DY

Auditors' report to the members of Start-rite Retail Limited

We have audited the financial statements on pages 6 to 15 which have been prepared under the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 1 January 2000 and of its loss for the 53 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton

*Chartered Accountants
Registered Auditors*

14.4.2000

Profit and loss account
for the year ended 1 January 2000

	<i>Note</i>	1999 £	1998 £
Turnover	<i>1</i>	10,123,466	8,864,981
Cost of sales		(5,359,678)	(4,650,039)
Gross profit		4,763,788	4,214,942
Administrative expenses		(5,029,536)	(4,176,797)
Other operating income		14,187	8,223
Operating (loss)/profit		(251,561)	46,368
Interest payable and similar charges	<i>3</i>	(257,730)	(284,265)
Loss on ordinary activities before taxation	<i>2</i>	(509,291)	(237,897)
Tax on loss on ordinary activities	<i>6</i>	134,195	49,210
Retained loss for the financial period	<i>15</i>	£(375,096)	£(188,687)

There are no other recognised gains or losses for the periods ended 1 January 2000 and 26 December 1998.

The movement on the profit and loss account reserve can be found in note 15.

The above results relate to continuing operations.

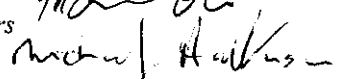
The notes on pages 8 to 15 form part of these financial statements.

Balance sheet
at 1 January 2000

	Note	1999	1998
		£	£
Fixed assets			
Intangible assets	7	2,475	5,175
Tangible assets	8	759,482	742,481
		<u>761,957</u>	<u>747,656</u>
Current assets			
Stocks - goods for resale		1,120,863	1,036,995
Debtors	9	1,676,894	2,255,325
Cash in hand		50,475	17,991
		<u>2,848,232</u>	<u>3,310,311</u>
Creditors: amounts falling due within one year	10	<u>(4,090,046)</u>	<u>(4,162,728)</u>
Net current liabilities		<u>(1,241,814)</u>	<u>(852,417)</u>
Net liabilities		<u>£(479,857)</u>	<u>£(104,761)</u>
Capital and reserves			
Called up share capital	14	100	100
Profit and loss account	15	(479,957)	(104,861)
Shareholder's funds - equity	17	<u>£(479,857)</u>	<u>£(104,761)</u>

These financial statements were approved by the board of directors on 11 April 2000 and were signed on its behalf by:

PJ Lamble)
MJ Hodkinson)

Directors 


The notes on pages 8 to 15 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

The financial statements are drawn up in accordance with applicable accounting standards. The financial statements have been prepared on a going concern basis as the parent undertaking, James Southall & Company Limited, has indicated that it will provide such funds as are necessary to enable the company to continue trading for the foreseeable future.

Turnover

Turnover represents sales at invoice value to external customers, excluding value added tax, within the United Kingdom.

Depreciation

Depreciation of tangible fixed assets is calculated so as to write off their cost over their expected future economic lives, as follows:

Leasehold property:	equal instalments over the period of the lease
Furniture and fixtures:	on a straight line basis over a maximum of 5 years
Motor vehicles:	25% per annum on a reducing balance basis

Goodwill

Purchased goodwill is written off on a systematic basis as determined by the directors.

Stock

Stock is valued at the lower of cost and net realisable value on a first in, first out basis.

Bank account

It is group policy to include separate memorandum parts of the group bank account in intra-group balances in the relevant company.

Bank balances are included at the amounts shown by the company's bank statements at the balance sheet date. Receipts not banked are included in debtors, cash sales not banked are included in cash and cheques drawn but not cleared by the group's bankers are included in creditors.

Taxation

Corporation tax is provided at rates applicable during the period.

The company provides deferred taxation, under the liability method, to take account of the timing differences between the treatment of certain items for accounts purposes and their treatment for taxation purposes at the rate of tax ruling at the time those differences are expected to crystallise.

Pension contributions

Contributions to James Southall & Company Limited Staff Pension Fund are charged to profit and loss account in accordance with the recommendations of the actuary (see note 12).

Operating leases

Operating lease payments, including those in respect of leasehold property, are charged to the profit and loss account in the period in which the expense is incurred.

Notes (continued)

1 Accounting policies (continued)

Cash flow

Under Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary of a UK parent company that prepares group accounts.

2 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging/(crediting):

	1999 £	1998 £
Directors' remuneration (including pension contributions and benefits) (note 4)	109,844	105,623
Depreciation	269,325	240,467
Amortisation of goodwill	2,700	2,700
Auditors' remuneration - Audit fees	4,225	4,030
- Non audit fees	1,775	1,695
Operating lease rentals - leasehold property	505,311	506,066
- motor vehicles	27,320	18,698
Management charge payable to other group undertakings	35,000	30,000
Loss/(profit) on sale of fixed assets	24,274	(1,059)
Rent receivable	(14,187)	(8,223)

3 Interest payable and similar charges

	1999 £	1998 £
Payable to group undertakings	256,005	283,392
Bank charges	1,725	873
	<u>£257,730</u>	<u>£284,265</u>

Notes (continued)

4 Emoluments of directors

	1999	1998
Directors' emoluments	£100,650	£97,915

Retirement benefits are accruing to the following number of directors under:

	Number of directors	
	1999	1998
Defined benefit scheme	2	2

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period, categorised by activity, was as follows:

	Number of employees	
	1999	1998
Management	7	8
Administration	21	18
Shop retailing	410	338
	438	364

The aggregate payroll costs of these persons were as follows:

	1999	1998
	£	£
Wages and salaries	2,360,790	1,824,193
Social security costs	123,432	108,606
Other pension costs (note 12)	43,579	26,768
	£2,527,801	£1,959,567

Notes (continued)

6 Tax on loss on ordinary activities

The taxation credit on the loss for the period on ordinary activity comprises:

	1999 £	1998 £
<i>Current year</i>		
Corporation tax	115,495	39,747
Deferred taxation	8,334	4,792
	123,829	44,539
<i>Prior year</i>		
Corporation tax	18,700	9,463
Deferred taxation	(8,334)	(4,792)
	£134,195	£49,210

7 Intangible fixed assets

	Goodwill £
<i>Cost</i>	
At beginning and end of period	26,375
<i>Aggregate amortisation</i>	
At beginning of period	21,200
Amortisation for the period	2,700
	23,900
At end of period	
<i>Net book value</i>	
At 1 January 2000	£2,475
At 26 December 1998	£5,175

Notes (continued)

8 Tangible fixed assets

	Short leasehold premises £	Furniture and fixtures £	Motor vehicles £	Total £
<i>Cost</i>				
At beginning of period	62,575	2,317,126	21,523	2,401,224
Additions	-	310,675	-	310,675
Disposal	-	(1,298,301)	-	(1,298,301)
At end of period	62,575	1,329,500	21,523	1,413,598
<i>Aggregate depreciation</i>				
At beginning of period	58,318	1,598,185	2,240	1,658,743
Depreciation for period	457	264,047	4,821	269,325
Disposals	-	(1,273,952)	-	(1,273,952)
At end of period	58,775	588,280	7,061	654,116
<i>Net book value</i>				
At 1 January 2000	£3,800	£741,220	£14,462	£759,482
At 26 December 1998	£4,257	£718,941	£19,283	£742,481

9 Debtors

	1999 £	1998 £
Trade debtors	343,098	234,967
Amount owed by group undertaking	1,098,711	1,784,153
Other debtors	62,797	56,717
Corporation tax repayment	-	10,800
Prepayments and accrued income	172,288	168,688
	£1,676,894	£2,255,325

Included within prepayments and accrued income are pension prepayments of £Nil (1998:£195) which are recoverable after more than one year (note 12).

Notes (continued)

10 Creditors: amounts falling due within one year

	1999 £	1998 £
Trade creditors	100,736	205,524
Amounts owed to parent undertaking	3,877,433	3,859,021
PAYE and social security	34,904	30,559
Other creditors	55,033	46,026
Accruals and deferred income	21,940	21,598
	£4,090,046	£4,162,728

Amounts owed to parent undertaking include the company's liability on its bank memorandum account which is part of the James Southall & Company Limited consolidated account (note 13).

11 Commitments

Operating leases

The company has commitments under operating leases to make payments within the next twelve months as follows:

	1999 £	1998 £
<i>Leasehold properties</i>		
Expiring:		
Within one year	31,500	14,000
Between two and five years	60,700	80,000
More than five years	406,331	405,998
	£498,531	£499,998
<i>Motor vehicles</i>		
Expiring:		
Within one year	2,821	364
Between two and five years	23,475	9,561
	£26,296	£9,925

Capital

Future capital expenditure authorised by the directors but not provided for in these financial statements is as follows:

	1999	1998
Authorised and contracted for	£60,000	£8,000

Notes (continued)

12 Pensions

The company operates a pension scheme providing benefits based upon final pensionable pay for certain employees. The fund is administered by trustees and the assets of the scheme are held separately from the company insured by policies with an insurance company. Contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The pension charge for the period was £43,579 (1998: £26,963) after a debit to funded cost of £5,501 (1998: credit to funded cost of £195) in respect of amortisation of experience surpluses over the average remaining service lives of the employees. Pension prepayments of £Nil (1998: £195) are included in prepayments and accrued income (note 9). The contribution levels are determined by a qualified actuary on the basis of regular valuations using the projected unit method. The most recent valuation was at 1 January 1999 which showed the scheme to be 97% funded. More details of the scheme valuation are disclosed in the financial statements of the parent undertaking James Southall & Company Limited.

13 Contingent liability

Start-rite Retail Limited has given a guarantee and debenture to Barclays Bank Plc which are secured on group assets. This is in respect of the net indebtedness of the other group companies who were members of the group at 1 January 2000. The net indebtedness of the other companies at that date amounted to £Nil (1998: £Nil).

14 Called up share capital - equity

	1999	1998
<i>Authorised, issued and fully paid</i>		
100 ordinary shares of £1 each	£100	£100

15 Profit and loss account

	1999 £	1998 £
Retained (loss)/profit at beginning of period	(104,861)	83,826
Loss for the financial period	(375,096)	(188,687)
Retained loss at end of period	£(479,957)	£(104,861)

16 Ultimate parent undertaking

The company is wholly owned undertaking of James Southall & Company Limited.

Notes (continued)

17 Reconciliation of movements in shareholder's funds

	1999 £	1998 £
Loss for the financial period	(375,096)	(188,687)
Opening shareholder's funds	(104,761)	83,926
Closing shareholder's funds - equity	£(479,857)	£(104,761)

18 Related party transactions

In accordance with the exemption available under paragraph 3(c) of Financial Reporting Standard 8, transactions with entities that are part of the James Southall & Company Limited Group are not disclosed.