GENESCO INC
Form 10-Q/A
December 23, 2003

Table of Contents

	Form 10-Q/A
(Mark One)	(Amendment No. 1)
x	Quarterly Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934 For Quarter Ended August 2, 2003
o	Transition Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934
	Securities and Exchange Commission Washington, D.C. 20549 Commission File No. 1-3083

Genesco Inc.
A Tennessee Corporation
I.R.S. No. 62-0211340
Genesco Park
1415 Murfreesboro Road
Nashville, Tennessee 37217-2895
Telephone 615/367-7000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.
Yes x No o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).
Yes x No o

Common Shares Outstanding September 5, 2003   21,744,906

TABLE OF CONTENTS

Table of Contents

INDEX

* These items have been amended and restated in their entirety.

** These items have not been amended and are included herein for convenience of reference only.

Table of Contents

PART I FINANCIAL INFORMATION
Item 1. Financial Statements
Genesco Inc.
and Consolidated Subsidiaries
Consolidated Balance Sheet
In Thousands

	August 2, 2003	February 1, 2003	August 3, 2002
Assets			
Current Assets			
Cash and cash equivalents	$ 32,968	$ 55,929	$ 32,214
Accounts receivable	14,579	19,412	16,785
Inventories	213,440	168,622	202,062
Deferred income taxes	11,533	11,909	14,395
Other current assets	13,377	13,559	12,276
Total current assets	285,897	269,431	277,732
Plant, equipment and capital leases	125,865	127,542	128,617
Deferred income taxes	17,787	17,787	8,611
Other noncurrent assets	6,720	4,454	4,702
Noncurrent assets of discontinued operations	-0-	-0-	1,085
Total Assets	$436,269	$419,214	$420,747
Liabilities and Shareholders Equity			
Current Liabilities			
Accounts payable	$ 80,074	$ 43,660	$ 82,305
Accrued liabilities	36,502	43,263	32,709
Provision for discontinued operations	248	1,343	3,190
Total current liabilities	116,824	88,266	118,204
Long-term debt	86,250	103,245	103,245
Other long-term liabilities	47,298	44,924	24,591
Provision for discontinued operations	44	-0-	-0-
Total liabilities	250,416	236,435	246,040
Contingent liabilities (see Note 9)			
Shareholders Equity			
Non-redeemable preferred stock	7,596	7,599	7,600
Common shareholders equity:			
Common stock, $1 par value:			
Authorized: 80,000,000 shares			
Issued/Outstanding:			
August 2, 2003 22,259,610/21,771,146; February 1, 2003 22,221,566/21,733,102; August 3, 2002 22,350,553/21,862,089	22,260	22,222	22,351
Additional paid-in capital	97,642	97,488	99,099
Retained earnings	106,078	103,779	79,810
Accumulated other comprehensive loss	(29,866)	(30,452)	(16,296)

Treasury shares, at cost	(17,857)	(17,857)	(17,857)
Total shareholders equity	185,853	182,779	174,707
Total Liabilities and Shareholders Equity	$436,269	$419,214	$420,747

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Table of Contents

Genesco Inc.
and Consolidated Subsidiaries
Consolidated Earnings
In Thousands, except per share amounts

	Three Months Ended		Six Months Ended	
	August 2, 2003	**August 3, 2002**	**August 2, 2003**	**August 3, 2002**
Net sales	$179,478	$174,842	$372,224	$365,435
Cost of sales	95,989	91,991	200,643	192,436
Selling and administrative expenses	80,271	74,666	160,924	149,892
Restructuring adjustment (gain)	(139)	-0-	(139)	-0-
Earnings from operations	3,357	8,185	10,796	23,107
Loss on early retirement of debt	2,581	-0-	2,581	-0-
Interest expense	2,366	2,114	4,572	4,079
Interest income	(217)	(192)	(391)	(485)
Total interest expense, net	2,149	1,922	4,181	3,594
Pretax earnings (loss)	(1,373)	6,263	4,034	19,513
Income taxes (benefit)	(482)	2,300	1,588	7,348
Net Earnings (Loss)	$ (891)	$ 3,963	$ 2,446	$ 12,165
Basic earnings (loss) per common share	$ (.04)	$ .18	$ .11	$ .55
Diluted earnings (loss) per common share	$ (.04)	$ .17	$ .10	$ .51

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Table of Contents

Genesco Inc.
and Consolidated Subsidiaries
Consolidated Cash Flows
In Thousands

	Three Months Ended		Six Months Ended	
	August 2, 2003	**August 3, 2002**	**August 2, 2003**	**August 3, 2002**
OPERATIONS:				
Net earnings (loss)	$ (891)	$ 3,963	$ 2,446	$ 12,165
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:				
Depreciation	5,530	4,593	10,639	8,955
Provision for losses on accounts receivable	132	(45)	292	(6)
Restructuring gain	(139)	-0-	(139)	-0-
Loss on retirement of debt	959	-0-	959	-0-
Other	401	263	672	548
Effect on cash of changes in working capital and other assets and liabilities:				
Accounts receivable	4,658	5,773	4,480	3,078
Inventories	(49,671)	(58,614)	(44,818)	(59,206)
Other current assets	804	308	182	441
Accounts payable	35,087	41,216	40,445	55,241
Other accrued liabilities	(1,084)	(3,048)	(6,756)	(10,509)
Other assets and liabilities	577	(506)	1,517	(528)
Net cash provided by (used in) operating activities	(3,637)	(6,097)	9,919	10,179
INVESTING ACTIVITIES:				
Capital expenditures	(4,552)	(7,853)	(9,199)	(25,216)
Proceeds from asset sales	473	1	626	1
Net cash used in investing activities	(4,079)	(7,852)	(8,573)	(25,215)
FINANCING ACTIVITIES:				
Stock repurchase	-0-	(913)	(31)	(913)
Increase (decrease) in bank overdrafts	3,292	2,846	(4,032)	951
Dividends paid	(73)	(74)	(147)	(148)
Payments of long-term debt	(103,245)	-0-	(103,245)	-0-
Long-term borrowings	86,250	-0-	86,250	-0-
Deferred note expenditures	(3,238)	-0-	(3,238)	-0-
Options exercised	27	44	136	976
Other	-0-	(6)	-0-	-0-
Net cash provided by (used in) financing activities	(16,987)	1,897	(24,307)	866
Net Cash Flow	(24,703)	(12,052)	(22,961)	(14,170)
Cash and cash equivalents at beginning of period	57,671	44,266	55,929	46,384
Cash and cash equivalents at end of period	$ 32,968	$ 32,214	$ 32,968	$ 32,214

Supplemental Cash Flow Information:

Net cash paid for:				
Interest	$ 2,076	$ 639	$ 5,523	$ 4,128
Income taxes	4,528	8,678	7,574	9,041

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Table of Contents

Genesco Inc.
and Consolidated Subsidiaries
Consolidated Shareholders Equity
In Thousands

	Total Non-Redeemable Preferred Stock	Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Comprehensive Income	Total Share-holders Equity
Balance February 2, 2002	**$ 7,634**	**$22,331**	**$98,622**	**$(17,857)**	**$ 67,793**	**$(17,336)**		**$161,187**
Net earnings	-0-	-0-	-0-	-0-	36,280	-0-	$ 36,280	36,280
Dividends paid	-0-	-0-	-0-	-0-	(294)	-0-	-0-	(294)
Exercise of options	-0-	122	1,443	-0-	-0-	-0-	-0-	1,565
Issue shares Employee Stock Purchase Plan	-0-	49	533	-0-	-0-	-0-	-0-	582
Tax effect of exercise of stock options	-0-	-0-	516	-0-	-0-	-0-	-0-	516
Stock repurchases	-0-	(286)	(3,758)	-0-	-0-	-0-	-0-	(4,044)
Gain on foreign currency forward contracts net of tax of $0.3 million)	-0-	-0-	-0-	-0-	-0-	439	439	439
Minimum pension liability adjustment (net of tax benefit of $8.7 million)	-0-	-0-	-0-	-0-	-0-	(13,555)	(13,555)	(13,555)
Other	(35)	6	132	-0-	-0-	-0-	-0-	103
Comprehensive income							23,164	
Balance February 1, 2003	**7,599**	**22,222**	**97,488**	**(17,857)**	**103,779**	**(30,452)**		**182,779**
Net earnings	-0-	-0-	-0-	-0-	2,446	-0-	2,446	2,446
Dividends paid	-0-	-0-	-0-	-0-	(147)	-0-	-0-	(147)
Exercise of options	-0-	12	124	-0-	-0-	-0-	-0-	136
Tax effect of exercise of stock options	-0-	-0-	16	-0-	-0-	-0-	-0-	16
Stock repurchases	-0-	(3)	(29)	-0-	-0-	-0-	-0-	(32)
Gain on foreign currency forward contracts (net of tax of $0.4 million)	-0-	-0-	-0-	-0-	-0-	586	586	586
Other	(3)	29	43	-0-	-0-	-0-	-0-	69
Comprehensive income							$ 3,032	
Balance August 2, 2003	**$ 7,596**	**$22,260**	**$97,642**	**$(17,857)**	**$106,078**	**$(29,866)**		**$185,853**

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Table of Contents

Genesco Inc.
and Consolidated Subsidiaries
Notes to Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies

Interim Statements

The consolidated financial statements contained in this report are unaudited but reflect all adjustments necessary for a fair presentation of the results for the interim periods of the fiscal year ending January 31, 2004 (Fiscal 2004) and of the fiscal year ended February 1, 2003 (Fiscal 2003). The results of operations for any interim period are not necessarily indicative of results for the full year. The interim financial statements should be read in conjunction with the financial statements and notes thereto included in the annual report on Form 10-K/A.

Nature of Operations

The Company s businesses include the design or sourcing, marketing and distribution of footwear principally under the *Johnston & Murphy* and *Dockers* brands and the operation at August 2, 2003 of 1,028 *Jarman, Journeys, Journeys Kidz, Johnston & Murphy* and *Underground Station* retail footwear stores and leased departments.

Basis of Presentation

All subsidiaries are included in the consolidated financial statements. All significant intercompany transactions and accounts have been eliminated.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Reclassifications

Certain reclassifications have been made to conform prior years data to the current year presentation.

The Company has revised its Statement of Cash Flows to separately present increases (decreases) in bank overdraft balances as a financing activity. Increases (decreases) in bank overdraft balances had previously been included in changes in accounts payable and accrued liabilities and included in net cash provided by operating activities. As a result of this reclassification, net cash provided by (used in) operating activities decreased $3.3 million and $2.8 million in the three month periods ended August 2, 2003 and August 3, 2002, respectively. Net cash provided by (used in) operating activities increased $4.0 million and decreased $1.0 million in the six month periods ended August 2, 2003 and August 3, 2002, respectively. Net cash provided by (used in) financing activities increased $3.3 million and $2.8 million in the three month periods ended August 2, 2003 and August 3, 2002, respectively. Net cash provided by (used in) financing activities decreased $4.0 million and increased $1.0 million in the six month periods ended August 2, 2003 and August 3, 2002, respectively. As a result of this reclassification, there was no change to net cash flow for the three and six month periods ended August 2, 2003 or August 3, 2002.

Table of Contents

Genesco Inc.
and Consolidated Subsidiaries
Notes to Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents

Included in cash and cash equivalents at February 1, 2003 and August 2, 2003, are cash equivalents of $47.4 million and $18.6 million, respectively. Cash equivalents are highly-liquid debt instruments having an original maturity of three months or less.

Inventories

Wholesale inventories are stated at the lower of cost or market, with cost determined principally by the first-in, first-out method. Retail inventories are stated at the lower of cost or market with cost determined under the retail inventory method.

Property, Equipment and Capital Leases

Property, equipment and capital leases are recorded at cost and depreciated or amortized over the estimated useful life of related assets. Depreciation and amortization expense are computed principally by the straight-line method over the following estimated useful lives:

Buildings and building equipment	20-45 years
Machinery, furniture and fixtures	3-15 years

Leasehold improvements and properties under capital leases are amortized on the straight-line method over the shorter of their useful lives or their related lease terms.

Impairment of Long-Term Assets

The Company periodically assesses the realizability of its long-lived assets and evaluates such assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Asset impairment is determined to exist if estimated future cash flows, undiscounted and without interest charges, are less than carrying amount.

Postretirement Benefits

Substantially all full-time employees are covered by a defined benefit pension plan. The Company also provides certain former employees with limited medical and life insurance benefits. The Company funds at least the minimum amount required by the Employee Retirement Income Security Act.

Revenue Recognition

Retail sales are recorded at the point of sale and are net of estimated returns. Wholesale revenue is recorded net of estimated returns when the related goods have been shipped and legal title has passed to the customer. Shipping and handling costs charged to customers are included in net sales.

Table of Contents

Genesco Inc.
and Consolidated Subsidiaries
Notes to Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies, Continued

Cost of Sales

For the Company s retail operations, the cost of sales includes actual product cost, the cost of transportation to the Company s warehouses from suppliers and the cost of transportation from the Company s warehouses to the stores. Additionally, the cost of our distribution facilities allocated to our retail operations is included in cost of sales.

For the Company s wholesale operations, the cost of sales includes the actual product cost and the cost of transportation to the Company s warehouses from suppliers.

Selling and Administrative Expenses

Selling and administrative expenses include all operating costs of the Company excluding (i) those related to the transportation of products from the supplier to the warehouse, (ii) for our retail operations, those related to the transportation of products from the warehouse to the store and (iii) costs of our distribution facilities which are allocated to our retail operations. Wholesale and unallocated retail costs of distribution are included in selling and administrative expenses in the amounts of $2.0 million, $1.2 million, $4.3 million and $2.5 million for the second quarter and first six months of Fiscal 2004 and 2003, respectively.

Buying, Merchandising and Occupancy Costs

The Company records buying and merchandising and occupancy costs in selling and administrative expense. Because the Company does not include these costs in cost of sales, the Company s gross margin may not be comparable to other retailers that include these costs in the calculation of gross margin.

Shipping and Handling Costs

Shipping and handling costs are charged to cost of sales in the period incurred except for wholesale and unallocated retail costs of distribution, which are included in selling and administrative expenses.

Preopening Costs

Costs associated with the opening of new stores are expensed as incurred.

Advertising Costs

Advertising costs are predominantly expensed as incurred. Advertising costs were $9.7 million and $10.5 million for the first six months of Fiscal 2004 and 2003, respectively. Direct response advertising costs for catalogs are capitalized, in accordance with the American Institute of Certified Public Accountants (AICPA) Statement of Position No. 93-7, Reporting on Advertising Costs. Such costs are amortized over the estimated future revenues realized from such advertising, not to exceed six months. The consolidated balance sheet included prepaid assets in the line item Other Current Assets for direct response advertising costs of $1.1 million and $0.6 million at August 2, 2003 and August 3, 2002, respectively.

Table of Contents

Genesco Inc.
and Consolidated Subsidiaries
Notes to Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies, Continued

Consideration to Resellers

The Company does not have any written buy-down programs with retailers but the Company has provided certain retailers with markdown allowances for obsolete and slow moving products that are in the retailer s inventory. The Company estimates these allowances and provides for them as reductions to revenues at the time revenues are recorded. Markdowns are negotiated with retailers and changes are made to the estimates as agreements are reached. Actual amounts for markdowns have not differed materially from estimates.

Cooperative Advertising

Cooperative advertising funds are made available to all of the Company s retail customers. In order for retailers to receive reimbursement under such programs, the retailer must meet specified advertising guidelines and provide appropriate documentation of expenses to be reimbursed. The Company s cooperative advertising agreements require that retail customers present documentation or other evidence of specific advertisements or display materials used for the Company s products by submitting the actual print advertisements presented in catalogs, newspaper inserts or other advertising circulars, or by permitting physical inspection of displays. Additionally, the Company s cooperative advertising agreements require that the amount of reimbursement requested for such advertising or materials be supported by invoices or other evidence of the actual costs incurred by the retailer. The Company accounts for these cooperative advertising costs as selling and administrative expenses, in accordance with EITF Issue No. 01-9, Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor s Products).

Cooperative advertising costs recognized in selling and administrative expenses were $0.6 million, $0.7 million, $1.4 million and $1.5 million for the second quarter and first six months of Fiscal 2004 and 2003, respectively. During the first six months of Fiscal 2004 and 2003, the Company s cooperative advertising reimbursements paid did not exceed the fair value of the benefits received under those agreements.

Vendor Allowances

From time to time the Company negotiates allowances from its vendors for markdowns taken. These allowances are recognized as a reduction in cost of sales in the period in which the markdowns are taken.

The Company receives support from some of its vendors in the form of reimbursements for cooperative advertising and catalog costs for the launch and promotion of certain products. The reimbursements are agreed upon with vendors and represent specific, incremental, identifiable costs incurred by the Company in selling the vendor s products. Such costs and the related reimbursements are accumulated and monitored on an individual vendor basis, pursuant to the respective cooperative advertising agreements with vendors. Such cooperative advertising reimbursements are recorded as a reduction of selling and administrative expenses in the same period as the associated expense is incurred. If the amount of cash consideration received exceeds the cost being reimbursed, such excess amount would be recorded as a reduction of cost of sales.

Table of Contents

Genesco Inc.
and Consolidated Subsidiaries
Notes to Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies, Continued

Vendor reimbursements of cooperative advertising costs recognized as a reduction of selling and administrative expenses were $0.3 million, $0.2 million, $0.9 million and $0.9 million for the second quarter and first six months of Fiscal 2004 and 2003, respectively. During the first six months of Fiscal 2004 and 2003, the Company s cooperative advertising reimbursements received were not in excess of the costs being reimbursed.

Environmental Costs

Environmental expenditures relating to current operations are expensed or capitalized as appropriate. Expenditures relating to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable and the costs can be reasonably estimated and are evaluated independently of any future claims for recovery. Generally, the timing of these accruals coincides with completion of a feasibility study or the Company s commitment to a formal plan of action. Costs of future expenditures for environmental remediation obligations are not discounted to their present value.

Income Taxes

Deferred income taxes are provided for all temporary differences and operating loss and tax credit carryforwards limited, in the case of deferred tax assets, to the amount the Company believes is more likely than not to be realized in the foreseeable future.

Capitalized Interest

Statement of Financial Accounting Standards (SFAS) No. 34, Capitalization of Interest Cost requires capitalizing interest cost as a part of the historical cost of acquiring certain assets, such as assets that are constructed or produced for a company s own use. The Company capitalized $0.4 million of interest cost in the first six months of Fiscal 2003 in connection with the Company s new distribution center.

Earnings Per Common Share

Basic earnings per share excludes dilution and is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities to issue common stock were exercised or converted to common stock (see Note 8).

Other Comprehensive Income

Statement of Financial Accounting Standards (SFAS) No. 130, Reporting Comprehensive Income requires, among other things, the Company s minimum pension liability adjustment and unrealized gains or losses on foreign currency forward contracts to be included in other comprehensive income net of tax. Accumulated other comprehensive loss at August 2, 2003 consists of a $30.8 million minimum pension liability adjustment, net of tax, and a $0.9 million gain on foreign currency forward contracts, net of tax.

Table of Contents

Genesco Inc.
and Consolidated Subsidiaries
Notes to Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies, Continued

Business Segments

Statement of Financial Accounting Standards (SFAS) No. 131, Disclosures about Segments of an Enterprise and Related Information requires that companies disclose operating segments based on the way management disaggregates the company for making internal operating decisions (see Note 10).

Derivative Instruments and Hedging Activities

The Company implemented Statement of Financial Accounting Standards (SFAS) No. 133, Accounting for Derivative Instruments and Hedging Activities in the first quarter of Fiscal 2002. This statement establishes accounting and reporting standards for derivative instruments and for hedging activities. SFAS 133 requires an entity to recognize all derivatives as either assets or liabilities in the consolidated balance sheet and to measure those instruments at fair value. Under certain conditions, a derivative may be specifically designated as a fair value hedge or a cash flow hedge. The accounting for changes in the fair value of a derivative are recorded each period in current earnings or in other comprehensive income depending on the intended use of the derivative and the resulting designation. For the first six months ended August 2, 2003, the Company recorded an unrealized gain on foreign currency forward contracts of $1.0 million in accumulated other comprehensive loss, before taxes.

In order to reduce exposure to foreign currency exchange rate fluctuations in connection with Euro denominated inventory purchase commitments for its Johnston & Murphy division, the Company enters into foreign currency forward exchange contracts extending up to a maximum hedging period of twelve months. Derivative instruments used as hedges must be effective at reducing the risk associated with the exposure being hedged. The settlement terms of the forward contracts correspond with the payment terms for the merchandise inventories. As a result, there is no hedge ineffectiveness to be reflected in earnings. At February 1, 2003 and August 2, 2003, the Company had approximately $7.6 million and $17.8 million, respectively, of such contracts outstanding. Forward exchange contracts have an average remaining term of approximately two months. The unrealized gain based on spot rates under these contracts at February 1, 2003 and August 2, 2003 was $0.2 million and $0.4 million, respectively. The Company monitors the credit quality of the major national and regional financial institutions with which it enters into such contracts.

The Company estimates that the majority of net-hedging gains will be reclassified from accumulated other comprehensive loss into earnings through lower cost of sales over the succeeding year.

Table of Contents

Genesco Inc.
and Consolidated Subsidiaries
Notes to Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies, Continued

Stock Incentive Plans

As of August 2, 2003, the Company had two fixed stock incentive plans and four restricted stock incentive plans. The Company accounts for these plans under the recognition and measurement principles of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations. Accordingly, no compensation cost has been recognized other than for the Company s restricted stock incentive plans as the exercise price is greater than or equal to the market price as of the date of grant. The compensation cost that has been charged against income for its restricted plans was $0.3 million for the first six months of Fiscal 2004 and 2003. The compensation cost that has been charged against income for its directors restricted stock plan was $67,039 and $52,251 for the first six months of Fiscal 2004 and 2003, respectively. There was no additional stock incentive plan compensation reflected in net income, as all options granted under the fixed stock plans had an exercise price equal to the market value of the underlying common stock on the date of grant. Had compensation cost for all of the Company s stock-based compensation plans been determined based on the fair value at the grant dates for awards under those plans consistent with the methodology prescribed by FASB Statement No. 123 Accounting for Stock-Based Compensation, the Company s net income and earnings per share would have been reduced to the pro forma amounts indicated below:

	Three Months Ended		Six Months Ended	
(In thousands, except per share amounts)	**August 2, 2003**	**August 3, 2002**	**August 2, 2003**	**August 3, 2002**
Net income (loss), as reported	$ (891)	$3,963	$ 2,446	$12,165
Add: stock-based employee compensation expense included in reported net income (loss), net of related tax effects	108	108	216	165
Deduct: total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(540)	(543)	(1,055)	(1,086)
Pro forma net income (loss)	$(1,323)	$3,528	$ 1,607	$11,244
Earnings (loss) per share:				
Basic as reported	$ (.04)	$ .18	$ .11	$ .55
Basic pro forma	$ (.06)	$ .16	$ .07	$ .51
Diluted as reported	$ (.04)	$ .17	$ .10	$ .51
Diluted pro forma	$ (.06)	$ .15	$ .07	$ .48

13

Table of Contents

Genesco Inc.
and Consolidated Subsidiaries
Notes to Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies, Continued

Other New Accounting Principles

In November 2002, the Emerging Issues Task Force (EITF) issued Consensus No. 02-16, Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor. The new pronouncement addresses the accounting for cash consideration received by a customer from a vendor and rebates or refunds from a vendor that are payable only if the customer completes a specified cumulative level of purchases or remains a customer for a specified time period. This statement requires the above to be treated as a reduction of cost of inventory purchased unless the cash consideration received from vendors represents a reimbursement of specific, incremental, identifiable costs incurred by the customer in selling the vendor s products or services, in which case the reimbursement should be characterized as a reduction of that cost during the period that the cost is incurred. If the amount of consideration received from a vendor exceeds the cost being reimbursed, that excess amount should be characterized as a reduction of cost of sales when recognized in the customer s income statement. The Company adopted this statement effective beginning the first quarter of Fiscal 2004. The adoption did not have a material impact on its results of operations or financial condition because the Company has historically followed the provisions of EITF No. 02-16.

Table of Contents

Genesco Inc.
and Consolidated Subsidiaries
Notes to Consolidated Financial Statements

Note 2
Impairment and Other Charges

The Company recorded a pretax charge to earnings of $2.5 million ($1.6 million net of tax) in the fourth quarter of Fiscal 2003. The charge included $2.4 million in asset impairments related to 14 underperforming retail stores identified as suitable for closing if acceptable lease terminations could be negotiated, the payments related to the termination of one of those leases, and $0.1 million in severance payments. The majority of these items related to the Johnston & Murphy division.

Note 3
Accounts Receivable

In thousands	August 2, 2003	February 1, 2003
Trade accounts receivable	$15,083	$19,196
Miscellaneous receivables	1,924	2,650
Total receivables	17,007	21,846
Allowance for bad debts	(895)	(690)
Other allowances	(1,533)	(1,744)
Net Accounts Receivable	**$14,579**	**$19,412**

The Company s footwear wholesaling business sells primarily to independent retailers and department stores across the United States. Receivables arising from these sales are not collateralized. Credit risk is affected by conditions or occurrences within the economy and the retail industry. The Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information. One customer accounted for 16% of the Company s trade receivables balance as of August 2, 2003 and no other customer accounted for more than 8% of the Company s trade receivables balance as of August 2, 2003.

Note 4
Inventories

In thousands	August 2, 2003	February 1, 2003
Raw materials	$ 132	$ 662
Wholesale merchandise	32,545	37,387
Retail merchandise	180,763	130,573
Total Inventories	$213,440	$168,622

Table of Contents

Genesco Inc.
and Consolidated Subsidiaries
Notes to Consolidated Financial Statements

Note 5
Property, Equipment and Capital Leases, Net

In thousands	August 2, 2003	February 1, 2003
Property and equipment:		
Land	$ 4,956	$ 4,913
Buildings and building equipment	13,617	13,967
Machinery	45,696	41,712
Furniture and fixtures	44,055	42,364
Construction in progress	3,959	9,338
Improvements to leased property	102,665	99,011
Capital leases:		
Buildings	37	37
Property, equipment and capital leases, at cost	214,985	211,342
Accumulated depreciation and amortization:		
Property and equipment	(89,094)	(83,774)
Capital leases	(26)	(26)
Net Property, Equipment and Capital Leases	$ 125,865	$ 127,542

Genesco Inc.
and Consolidated Subsidiaries
Notes to Consolidated Financial Statements

Note 6
Provision for Discontinued Operations and Restructuring Reserves

Provision for Discontinued Operations

In thousands	Employee Related Costs*	Facility Shutdown Costs	Other	Total
Balance February 2, 2002	$ 3,918	$ 3,306	$ 10	$ 7,234
Charges and adjustments, net	(2,485)	(3,567)	20	(6,032)
Balance February 1, 2003	1,433	(261)	30	1,202
Charges and adjustments, net	(1,284)	381	(7)	(910)
Balance August 2, 2003	149	120	23	292
Current portion	149	76	23	248
Total Noncurrent Provision for Discontinued Operations	$ -0-	$ 44	$ -0-	$ 44

* Includes $0.1 million of apparel union pension withdrawal liability.

Restructuring Reserves

In thousands	Employee Related Costs	Facility Shutdown Costs	Other	Total
Balance February 2, 2002	$ 1,661	$ 2,504	$ 406	$ 4,571
Additional provision February 1, 2003	106	70	-0-	176
Charges and adjustments, net	(1,344)	354	(406)	(1,396)
Balance February 1, 2003	423	2,928	-0-	3,351
Excess provision August 2, 2003	(132)	(7)	-0-	(139)
Charges and adjustments, net	(199)	(297)	-0-	(496)
Balance August 2, 2003	92			