

GENESCO INC
Form 10-Q
December 12, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the Quarter Ended November 2, 2013

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from _____ to _____
Commission File No. 1-3083

Genesco Inc.
(Exact name of registrant as specified in its charter)

Tennessee
(State or other jurisdiction of incorporation or organization) 62-0211340
(I.R.S. Employer Identification No.)

Genesco Park, 1415 Murfreesboro Road
Nashville, Tennessee 37217-2895
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (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 and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232-405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer; an accelerated filer; a non-accelerated filer; or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) Yes No

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As of November 29, 2013, 23,833,386 shares of the registrant's common stock were outstanding.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

Genesco Inc.
and Subsidiaries
Condensed Consolidated Balance Sheets
(In Thousands, except share amounts)

Assets	November 2, 2013	February 2, 2013 (As restated)	October 27, 2012 (As restated)
Current Assets:			
Cash and cash equivalents	\$32,250	\$59,795	\$39,890
Accounts receivable, net of allowances of \$5,144 at November 2, 2013, \$6,082 at February 2, 2013 and \$6,331 at October 27, 2012	64,235	48,214	61,006
Inventories	694,256	505,344	600,251
Deferred income taxes	20,033	23,725	23,109
Prepays and other current assets	58,787	45,193	42,520
Total current assets	869,561	682,271	766,776
Property and equipment:			
Land	6,131	6,128	6,152
Buildings and building equipment	20,415	20,390	20,427
Computer hardware, software and equipment	126,529	120,757	126,311
Furniture and fixtures	165,261	148,903	145,476
Construction in progress	33,259	8,702	12,757
Improvements to leased property	327,261	318,376	313,180
Property and equipment, at cost	678,856	623,256	624,303
Accumulated depreciation	(409,871	) (381,587	) (384,804
Property and equipment, net	268,985	241,669	239,499
Deferred income taxes	15,980	18,731	22,935
Goodwill	283,049	273,827	272,201
Trademarks, net of accumulated amortization of \$4,155 at Nov. 2, 2013, \$3,350 at February 2, 2013 and \$3,062 at Oct. 27, 2012	76,905	77,408	78,184
Other intangibles, net of accumulated amortization of \$19,782 at Nov. 2, 2013, \$17,220 at February 2, 2013 and \$16,336 at October 27, 2012	9,502	11,598	12,462
Other noncurrent assets	21,821	20,568	33,565
Total Assets	\$1,545,803	\$1,326,072	\$1,425,622

Genesco Inc.
and Subsidiaries
Condensed Consolidated Balance Sheets
(In Thousands, except share amounts)

Liabilities and Equity	November 2, 2013	February 2, 2013 (As restated)	October 27, 2012 (As restated)
Current Liabilities:			
Accounts payable	\$265,067	\$118,350	\$219,826
Accrued employee compensation	49,837	55,241	54,782
Accrued other taxes	19,710	25,985	21,828
Accrued income taxes	4,099	2,096	2,415
Current portion – long-term debt	5,596	5,675	5,639
Other accrued liabilities	58,455	60,659	66,650
Provision for discontinued operations	7,223	7,192	7,081
Total current liabilities	409,987	275,198	378,221
Long-term debt	92,361	45,007	86,296
Pension liability	19,296	20,514	25,576
Deferred rent and other long-term liabilities	158,403	157,407	142,404
Provision for discontinued operations	4,158	4,159	4,202
Total liabilities	684,205	502,285	636,699
Commitments and contingent liabilities			
Equity			
Non-redeemable preferred stock	1,305	3,924	3,934
Common equity:			
Common stock, \$1 par value:			
Authorized: 80,000,000 shares			
Issued/Outstanding:			
November 2, 2013 – 24,321,850/23,833,386			
February 2, 2013 – 24,484,915/23,996,451			
October 27, 2012 – 24,640,003/24,151,539	24,322	24,485	24,640
Additional paid-in capital	184,608	170,360	167,332
Retained earnings	692,380	669,189	638,532
Accumulated other comprehensive loss	(25,251)	(28,241)	(29,669)
Treasury shares, at cost (488,464 shares)	(17,857)	(17,857)	(17,857)
Total Genesco equity	859,507	821,860	786,912
Noncontrolling interest – non-redeemable	2,091	1,927	2,011
Total equity	861,598	823,787	788,923
Total Liabilities and Equity	\$1,545,803	\$1,326,072	\$1,425,622

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

Genesco Inc.
and Subsidiaries
Condensed Consolidated Statements of Operations
(In Thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	November 2, 2013	October 27, 2012 (As restated)	November 2, 2013	October 27, 2012 (As restated)
Net sales	\$666,332	\$664,458	\$1,832,466	\$1,808,124
Cost of sales	334,171	330,046	919,060	893,747
Selling and administrative expenses	283,702	279,847	829,506	806,425
Asset impairments and other, net	1,480	357	(4,331)	) 896
Earnings from operations	46,979	54,208	88,231	107,056
Interest expense, net:				
Interest expense	1,199	1,342	3,418	3,691
Interest income	(9)	) (41)	) (49)	) (66)
Total interest expense, net	1,190	1,301	3,369	3,625
Earnings from continuing operations before income taxes	45,789	52,907	84,862	103,431
Income tax expense	17,993	10,686	34,092	29,447
Earnings from continuing operations	27,796	42,221	50,770	73,984
Provision for discontinued operations, net	(46)	) (94)	) (270)	) (312)
Net Earnings	\$27,750	\$42,127	\$50,500	\$73,672
Basic earnings per common share:				
Continuing operations	\$1.19	\$1.79	\$2.18	\$3.12
Discontinued operations	0.00	(0.01)	) (0.01)	) (0.01)
Net earnings	\$1.19	\$1.78	\$2.17	\$3.11
Diluted earnings per common share:				
Continuing operations	\$1.18	\$1.76	\$2.15	\$3.07
Discontinued operations	0.00	0.00	(0.01)	) (0.02)
Net earnings	\$1.18	\$1.76	\$2.14	\$3.05

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

Genesco Inc.
and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income
(In Thousands)

	Three Months Ended		Nine Months Ended	
	November 2, 2013	October 27, 2012 (As restated)	November 2, 2013	October 27, 2012 (As restated)
Net earnings	\$27,750	\$42,127	\$50,500	\$73,672
Other comprehensive income (loss):				
Gain on foreign currency forward contract, net of tax of \$0.0 million for the three and nine months ended October 27, 2012, respectively	—	32	—	12
Pension liability adjustments, net of tax of \$0.6 million and \$1.8 million for the three and nine months ended November 2, 2013, respectively	915	—	2,815	—
Postretirement liability adjustments, net of tax of \$0.0 million for the three and nine months ended November 2, 2013, respectively	12	—	44	—
Foreign currency translation adjustments	5,626	3,124	131	3,285
Total other comprehensive income	6,553	3,156	2,990	3,297
Comprehensive income	\$34,303	\$45,283	\$53,490	\$76,969

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

Genesco Inc.
and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(In Thousands)

	Three Months Ended		Nine Months Ended	
	November 2, 2013	October 27, 2012 (As restated)	November 2, 2013	October 27, 2012 (As restated)
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net earnings	\$27,750	\$42,127	\$50,500	\$73,672
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Depreciation and amortization	16,634	15,651	49,517	46,195
Amortization of deferred note expense and debt discount	198	198	594	594
Deferred income taxes	7,320	(4,543)	4,594	(7,053)
Provision (recoveries) for losses on accounts receivable	61	340	(575)	1,195
Impairment of long-lived assets	350	283	1,767	720
Restricted stock expense	3,223	2,828	9,075	7,483
Provision for discontinued operations	77	155	446	515
Tax benefit of stock options and restricted stock exercised	7	(154)	(3,073)	(4,820)
Other	458	342	973	981
Effect on cash from changes in working capital and other assets and liabilities, before acquisitions:				
Accounts receivable	(13,877)	(15,515)	(15,410)	(18,379)
Inventories	(63,441)	(40,975)	(186,837)	(159,683)
Prepays and other current assets	2,434	15,973	(13,377)	(1,790)
Accounts payable	16,707	2,934	139,428	67,320
Other accrued liabilities	2,584	7,545	(16,075)	(9,347)
Other assets and liabilities	8,069	866	3,497	8,959
Net cash provided by operating activities	8,554	28,055	25,044	6,562
CASH FLOWS FROM INVESTING ACTIVITIES:				
Capital expenditures	(38,470)	(20,332)	(75,676)	(52,865)
Acquisitions, net of cash acquired	(1,000)	(2,893)	(12,006)	(13,690)
Proceeds from asset sales	—	28	60	66
Net cash used in investing activities	(39,470)	(23,197)	(87,622)	(66,489)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Payments of long-term debt	(1,412)	(1,417)	(4,655)	(9,014)
Borrowings under revolving credit facility	123,700	113,700	324,400	304,400
Payments on revolving credit facility	(98,500)	(121,600)	(273,100)	(245,500)
Tax benefit of stock options and restricted stock exercised	(7)	154	3,073	4,820
Share repurchases	(9,458)	(7,312)	(20,676)	(27,539)
Change in overdraft balances	2,705	3,372	7,192	12,984
Redemption of preferred shares	—	—	(1,462)	—
Dividends paid on non-redeemable preferred stock	—	(33)	(33)	(114)
Exercise of stock options and issue shares - Employee Stock Purchase Plan	196	193	1,116	4,976
Other	(1)	—	1	—
Net cash provided by (used in) financing activities	17,223	(12,943)	35,856	45,013
Effect of foreign exchange rate fluctuations on cash	(84)	753	(823)	1,014

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Net Decrease in Cash and Cash Equivalents	(13,777) (7,332)(27,545) (13,900)
Cash and cash equivalents at beginning of period	46,027	47,222	59,795	53,790	
Cash and cash equivalents at end of period	\$32,250	\$39,890	\$32,250	\$39,890	

Supplemental Cash Flow Information:

Net cash paid for:

Interest	\$1,032	\$1,334	\$2,794	\$3,043	
Income taxes	2,807	8,839	32,011	53,752	

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

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Genesco Inc.
and Subsidiaries
Condensed Consolidated Statements of Equity
(In Thousands)

	Total Non-Redeemable Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Shares	Non Controlling Interest Non-Redeemable	Total Equity
Balance January 28, 2012 (As restated)	\$ 4,957	\$24,758	\$149,479	\$598,360	\$ (32,966)	\$ (17,857)	\$ 2,249	\$728,980
Net earnings (As restated)	—	—	—	112,435	—	—	—	112,435
Other comprehensive income	—	—	—	—	4,725	—	—	4,725
Dividends paid on non-redeemable preferred stock	—	—	—	(147)	—	—	—	(147)
Exercise of stock options	—	224	4,584	—	—	—	—	4,808
Issue shares – Employee Stock Purchase Plan	—	2	155	—	—	—	—	157
Employee and non-employee restricted stock	—	—	10,508	—	—	—	—	10,508
Restricted stock issuance	—	194	(194)	—	—	—	—	—
Restricted shares withheld for taxes	—	(76)	—	(4,455)	—	—	—	(4,531)
Tax benefit of stock options and restricted stock exercised	—	—	4,820	—	—	—	—	4,820
Shares repurchased	—	(646)	—	(37,004)	—	—	—	(37,650)
Other	(1,033)	29	1,008	—	—	—	—	4
Noncontrolling interest – loss	—	—	—	—	—	—	(322)	(322)
Balance February 2, 2013 (As restated)	3,924	24,485	170,360	669,189	(28,241)	(17,857)	1,927	823,787
Net earnings	—	—	—	50,500	—	—	—	50,500
Other comprehensive income	—	—	—	—	2,990	—	—	2,990
Dividends paid on non-redeemable preferred stock	—	—	—	(33)	—	—	—	(33)
Exercise of stock options	—	43	877	—	—	—	—	920
Issue shares - Employee Stock Purchase Plan	—	3	193	—	—	—	—	196

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Employee and non-employee restricted stock	—	—	9,075	—	—	—	—	9,075
Restricted stock issuance	—	214	(214)	—	—	—	—	—
Restricted shares withheld for taxes	—	(105)	105	(6,938)	—	—	—	(6,938)
Tax benefit of stock options and restricted stock exercised	—	—	3,073	—	—	—	—	3,073
Shares repurchased	—	(338)	—	(20,338)	—	—	—	(20,676)
Redemption of preferred shares	(1,462)	—	—	—	—	—	—	(1,462)
Other	(1,157)	20	1,139	—	—	—	—	2
Noncontrolling interest – loss	—	—	—	—	—	—	164	164
Balance November 2, 2013	\$ 1,305	\$ 24,322	\$ 184,608	\$ 692,380	\$ (25,251)	\$ (17,857)	\$ 2,091	\$ 861,598

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

Genesco Inc.
and Consolidated Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1
Summary of Significant Accounting Policies

Interim Statements

The condensed consolidated financial statements and notes contained in this report are unaudited but reflect all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the results for the interim periods of the fiscal year ending February 1, 2014 ("Fiscal 2014") and of the fiscal year ended February 2, 2013 ("Fiscal 2013"). 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 Genesco Inc.'s (the Company's) Annual Report on Form 10-K, as restated. See Note 2 for additional information.

Nature of Operations

The Company's business includes the design and sourcing, marketing and distribution of footwear and accessories through retail stores in the U.S., Puerto Rico and Canada primarily under the Journeys, Journeys Kidz, Shi by Journeys, Underground by Journeys and Johnston & Murphy banners and under the Schuh banner in the United Kingdom and the Republic of Ireland; through e-commerce websites including journeys.com, journeyskidz.com, shibyjourneys.com, undergroundbyjourneys.com, schuh.co.uk and johnstonmurphy.com and catalogs, and at wholesale, primarily under the Company's Johnston & Murphy brand, the recently relaunched Trask brand, the licensed Dockers brand and other brands that the Company licenses for footwear, and the Company's SureGrip line of slip-resistant, operational footwear. The Company's business also includes Lids Sports Group, which operates headwear and accessory stores in the U.S. and Canada primarily under the Lids, Hat World and Hat Shack banners; the Lids Locker Room and Lids Clubhouse businesses, consisting of sports-oriented fan shops featuring a broad array of licensed merchandise such as apparel, hats and accessories, sports decor and novelty products, operating under various trade names; licensed team merchandise departments in Macy's department stores operated under the name of Locker Room by Lids[®] and on macys.com, under a license agreement with Macy's; certain e-commerce operations including lids.com, lids.ca, lidslockerroom.com and lidsclubhouse.com; and an athletic team dealer business operating as Lids Team Sports. Including both the footwear businesses and the Lids Sports Group business, at November 2, 2013, the Company operated 2,537 retail stores in the U.S., Puerto Rico, Canada, the United Kingdom and the Republic of Ireland.

During the nine months ended November 2, 2013 and October 27, 2012, the Company operated five reportable business segments (not including corporate): (i) Journeys Group, comprised of the Journeys, Journeys Kidz, Shi by Journeys and Underground by Journeys retail footwear chains, catalog and e-commerce operations; (ii) Schuh Group, comprised of the Schuh retail footwear chain and e-commerce operations; (iii) Lids Sports Group, comprised as described in the preceding paragraph; (iv) Johnston & Murphy Group, comprised of Johnston & Murphy retail operations, e-commerce and catalog operations and wholesale distribution; and (v) Licensed Brands, comprised of Dockers[®] Footwear, sourced and marketed under a license from Levi Strauss & Company; SureGrip[®]Footwear, occupational footwear primarily sold directly to consumers; and other footwear brands.

Genesco Inc.
and Consolidated Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1
Summary of Significant Accounting Policies, Continued

Principles of Consolidation

All subsidiaries are consolidated in the Condensed Consolidated Financial Statements. All significant intercompany transactions and accounts have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

Significant areas requiring management estimates or judgments include the following key financial areas:

Inventory Valuation

The Company values its inventories at the lower of cost or market.

In its footwear wholesale operations, its Schuh Group segment and its Lids Sports Group wholesale operations, except for the Anaconda Sports wholesale division, cost is determined using the first-in, first-out method. Market value is determined using a system of analysis which evaluates inventory at the stock number level based on factors such as inventory turn, average selling price, inventory level, and selling prices reflected in future orders. The Company provides reserves when the inventory has not been marked down to market value based on current selling prices or when the inventory is not turning and is not expected to turn at levels satisfactory to the Company.

The Lids Sports Group retail segment and its Anaconda Sports wholesale division employ the moving average cost method for valuing inventories and apply freight using an allocation method.

The Company provides a valuation allowance for slow-moving inventory based on negative margins and estimated shrink based on historical experience and specific analysis, where appropriate.

In its retail operations, other than the Schuh Group and Lids Sports Group retail segments, the Company employs the retail inventory method, applying average cost-to-retail ratios to the retail value of inventories. Under the retail inventory method, valuing inventory at the lower of cost or market is achieved as markdowns are taken or accrued as a reduction of the retail value of inventories.

Inherent in the retail inventory method are subjective judgments and estimates, including merchandise mark-on, markups, markdowns, and shrinkage. These judgments and estimates, coupled with the fact that the retail inventory method is an averaging process, could produce a range of cost figures. To reduce the risk of inaccuracy and to ensure consistent presentation, the Company employs the retail inventory method in multiple subclasses of inventory with similar gross margins, and analyzes markdown requirements at the stock number level based on factors such as inventory turn, average selling price, and inventory age. In addition, the Company accrues

Genesco Inc.
and Consolidated Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1
Summary of Significant Accounting Policies, Continued

markdowns as necessary. These additional markdown accruals reflect all of the above factors as well as current agreements to return products to vendors and vendor agreements to provide markdown support. In addition to markdown provisions, the Company maintains provisions for shrinkage and damaged goods based on historical rates.

Inherent in the analysis of both wholesale and retail inventory valuation are subjective judgments about current market conditions, fashion trends, and overall economic conditions. Failure to make appropriate conclusions regarding these factors may result in an overstatement or understatement of inventory value.

Impairment of Long-Lived 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 the carrying amount. Inherent in the analysis of impairment are subjective judgments about future cash flows. Failure to make appropriate conclusions regarding these judgments may result in an overstatement or understatement of the value of long-lived assets. See also Notes 4 and 6.

The goodwill impairment test involves performing a qualitative assessment, on a reporting unit level, based on current circumstances. If the results of the qualitative assessment indicate that it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, a two-step impairment test will not be performed. However, if the results of the qualitative assessment indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then a two-step impairment test is performed. Alternatively, the Company may elect to bypass the qualitative assessment and proceed directly to the two-step impairment test, on a reporting unit level basis. The first step is a comparison of the fair value and carrying value of the business unit with which the goodwill is associated. The Company estimates fair value using the best information available, and computes the fair value derived by an income approach utilizing discounted cash flow projections. The income approach uses a projection of a reporting unit's estimated operating results and cash flows that is discounted using a weighted-average cost of capital that reflects current market conditions. A key assumption in the Company's fair value estimate is the weighted average cost of capital utilized for discounting its cash flow projections in its income approach. The Company believes the rate it used in its latest annual test, which was completed in the prior year fourth quarter, was consistent with the risks inherent in its business and with industry discount rates. The projection uses management's best estimates of economic and market conditions over the projected period including growth rates in sales, costs, estimates of future expected changes in operating margins and cash expenditures.

Other significant estimates and assumptions include terminal value growth rates, future estimates of capital expenditures and changes in future working capital requirements.

Genesco Inc.
and Consolidated Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1
Summary of Significant Accounting Policies, Continued

If the carrying value of the reporting unit is higher than its fair value, there is an indication that impairment may exist and the second step must be performed to measure the amount of impairment loss. The amount of impairment is determined by comparing the implied fair value of reporting unit goodwill to the carrying value of the goodwill in the same manner as if the reporting unit was being acquired in a business combination.

Specifically, the Company would allocate the fair value to all of the assets and liabilities of the reporting unit, including any unrecognized intangible assets, in a hypothetical analysis that would calculate the implied fair value of goodwill. If the implied fair value of goodwill is less than the recorded goodwill, the Company would record an impairment charge for the difference.

Environmental and Other Contingencies

The Company is subject to certain loss contingencies related to environmental proceedings and other legal matters. The Company has made pretax accruals for certain of these contingencies, including approximately \$0.0 million and \$0.2 million in the third quarter of Fiscal 2014 and 2013, respectively, and \$0.4 million and \$0.6 million in the first nine months of Fiscal 2014 and 2013, respectively. These charges are included in provision for discontinued operations, net in the Condensed Consolidated Statements of Operations because they relate to former facilities operated by the Company. The Company monitors these matters on an ongoing basis and, on a quarterly basis, management reviews the Company's reserves and accruals, adjusting provisions as management deems necessary in view of changes in available information. Changes in estimates of liability are reported in the periods when they occur. Consequently, management believes that its reserve in relation to each proceeding is a best estimate of probable loss connected to the proceeding, or in cases in which no best estimate is possible, the minimum amount in the range of estimated losses, based upon its analysis of the facts and circumstances as of the close of the most recent fiscal quarter. However, because of uncertainties and risks inherent in litigation generally and in environmental proceedings in particular, there can be no assurance that future developments will not require additional reserves, that some or all reserves will be adequate or that the amounts of any such additional reserves or any such inadequacy will not have a material adverse effect upon the Company's financial condition or results of operations. See also Notes 4 and 10.

Revenue Recognition

Retail sales are recorded at the point of sale and are net of estimated returns and exclude sales and value added taxes. Catalog and internet sales are recorded at estimated time of delivery to the customer and are net of estimated returns and exclude sales and value added taxes. Wholesale revenue is recorded net of estimated returns and allowances for markdowns, damages and miscellaneous claims 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. Estimated returns are based on historical returns and claims. Actual amounts of markdowns have not differed materially from estimates. Actual returns and claims in any future period may differ from historical experience.

Genesco Inc.
and Consolidated Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1
Summary of Significant Accounting Policies, Continued

Income Taxes

As part of the process of preparing the Condensed Consolidated Financial Statements, the Company is required to estimate its income taxes in each of the tax jurisdictions in which it operates. This process involves estimating actual current tax obligations together with assessing temporary differences resulting from differing treatment of certain items for tax and accounting purposes, such as depreciation of property and equipment and valuation of inventories. These temporary differences result in deferred tax assets and liabilities, which are included within the Condensed Consolidated Balance Sheets. The Company then assesses the likelihood that its deferred tax assets will be recovered from future taxable income. Actual results could differ from this assessment if adequate taxable income is not generated in future periods. To the extent the Company believes that recovery of an asset is at risk, valuation allowances are established. To the extent valuation allowances are established or increased in a period, the Company includes an expense within the tax provision in the Condensed Consolidated Statements of Operations. These deferred tax valuation allowances may be released in future years when management considers that it is more likely than not that some portion or all of the deferred tax assets will be realized. In making such a determination, management will need to periodically evaluate whether or not all available evidence, such as future taxable income and reversal of temporary differences, tax planning strategies, and recent results of operations, provides sufficient positive evidence to offset any potential negative evidence that may exist at such time. In the event the deferred tax valuation allowance is released, the Company would record an income tax benefit for the portion or all of the deferred tax valuation allowance released. At November 2, 2013, the Company had a deferred tax valuation allowance of \$3.6 million.

Income tax reserves for certain tax positions are determined using the methodology required by the Income Tax Topic of the Accounting Standards Codification ("Codification"). This methodology requires companies to assess each income tax position taken using a two step process. A determination is first made as to whether it is more likely than not that the position will be sustained, based upon the technical merits, upon examination by the taxing authorities. If the tax position is expected to meet the more likely than not criteria, the benefit recorded for the tax position equals the largest amount that is greater than 50% likely to be realized upon ultimate settlement of the respective tax position. Uncertain tax positions require determinations and estimated liabilities to be made based on provisions of the tax law which may be subject to change or varying interpretation. If the Company's determinations and estimates prove to be inaccurate, the resulting adjustments could be material to its future financial results.

The Company recorded an effective income tax rate of 39.3% in the third quarter of Fiscal 2014 compared to 20.2% for the same period last year and 40.2% and 28.5% for the first nine months of Fiscal 2014 and 2013, respectively. The tax rates for Fiscal 2013 were lower compared to Fiscal 2014 primarily due to the reversal of previously recorded charges related to uncertain tax positions due to the expiration of the applicable statutes of limitations and a settlement with state tax authorities more favorable than anticipated related to other uncertain tax positions.

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Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1
Summary of Significant Accounting Policies, Continued

Postretirement Benefits Plan Accounting

Full-time employees who had at least 1,000 hours of service in calendar year 2004, except employees in the Lids Sports Group and Schuh Group segments, are covered by a defined benefit pension plan. The Company froze the defined benefit pension plan effective January 1, 2005. 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.

As required by the Compensation – Retirement Benefits Topic of the Codification, the Company is required to recognize the overfunded or underfunded status of postretirement benefit plans as an asset or liability in its Condensed Consolidated Balance Sheets and to recognize changes in that funded status in accumulated other comprehensive loss, net of tax, in the year in which the changes occur.

The Company accounts for the defined benefit pension plans using the Compensation-Retirement Benefits Topic of the Codification. As permitted under this topic, pension expense is recognized on an accrual basis over employees' approximate service periods. The calculation of pension expense and the corresponding liability requires the use of a number of critical assumptions, including the expected long-term rate of return on plan assets and the assumed discount rate, as well as the recognition of actuarial gains and losses. Changes in these assumptions can result in different expense and liability amounts, and future actual experience can differ from these assumptions.

Share-Based Compensation

The Company has share-based compensation plans covering certain members of management and non-employee directors. The Company recognizes compensation expense for share-based payments based on the fair value of the awards as required by the Compensation – Stock Compensation Topic of the Codification. There was no share-based compensation expense related to stock options for the third quarters and first nine months of Fiscal 2014 or 2013. The Company has not issued any new stock option awards since the first quarter of Fiscal 2008. For the third quarter of Fiscal 2014 and 2013, restricted stock expense was \$3.2 million and \$2.8 million, respectively. For the first nine months of Fiscal 2014 and 2013, restricted stock expense was \$9.1 million and \$7.5 million, respectively. The fair value of employee restricted stock is determined based on the closing price of the Company's stock on the date of the grant. The benefits of tax deductions in excess of recognized compensation expense are reported as a financing cash flow.

There were no employee restricted stock or director restricted stock grants during the three months ended November 2, 2013 or October 27, 2012. During the nine months ended November 2, 2013, the Company issued 199,392 shares of employee restricted stock at a grant date fair value of \$65.11 per share which vest in four equal annual installments over a four-year term. For the nine months ended October 27, 2012, the Company issued 194,232 shares of employee restricted stock at a grant date fair value of \$57.58 per share which vest in four equal annual installments over a four-year term. For the nine months ended November 2, 2013, the Company issued 9,280 shares of director restricted stock at a weighted average price of \$68.91 which vest on the first anniversary

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Note 1
Summary of Significant Accounting Policies, Continued

of the grant date. For the nine months ended October 27, 2012, the Company issued 10,224 shares of director restricted stock at a weighted average price of \$65.06, which vest on the first anniversary of the grant date. An outside director can elect irrevocably to receive all or a specified portion of his annual retainers for board membership and any committee chairmanship for the following fiscal year in a number of shares of restricted stock (the "Retainer Stock"). Shares of the Retainer Stock are granted as of the first business day of the fiscal year as to which the election is effective, subject to forfeiture to the extent not earned upon the outside director's ceasing to serve as a director or committee chairman during such fiscal year. During the nine months ended November 2, 2013, the Company issued 4,790 shares of Retainer Stock at a grant date fair value of \$59.53 per share which vest over one year. The Company did not issue any Retainer Stock for the three months ended November 2, 2013 or the three and nine months ended October 27, 2012.

Cash and Cash Equivalents

Included in cash and cash equivalents at November 2, 2013, February 2, 2013 and October 27, 2012 are cash equivalents of \$0.0 million, \$0.2 million and \$0.0 million, respectively. Cash equivalents are highly-liquid financial instruments having an original maturity of three months or less. At November 2, 2013, substantially all of the Company's domestic cash was invested in deposit accounts at FDIC-insured banks. The majority of payments due from banks for domestic customer credit card transactions process within 24 - 48 hours and are accordingly classified as cash and cash equivalents.

At November 2, 2013, February 2, 2013 and October 27, 2012, outstanding checks drawn on zero-balance accounts at certain domestic banks exceeded book cash balances at those banks by approximately \$43.3 million, \$36.1 million and \$52.0 million, respectively. These amounts are included in accounts payable.

Concentration of Credit Risk and Allowances on Accounts Receivable

The Company's footwear wholesale businesses sell primarily to independent retailers and department stores across the United States. Receivables arising from these sales are not collateralized. Customer credit risk is affected by conditions or occurrences within the economy and the retail industry as well as by customer specific factors. The Company's Lids Team Sports wholesale business sells primarily to colleges and high school athletic teams and their fan bases. Including both footwear wholesale and Lids Team Sports wholesale business receivables, one customer accounted for 8% and another customer accounted for 7% of the Company's total trade receivables balance, while no other customer accounted for more than 7% of the Company's total trade receivables balance as of November 2, 2013.

The Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information, as well as customer specific factors. The Company also establishes allowances for sales returns, customer deductions and co-op advertising based on specific circumstances, historical trends and projected probable outcomes.

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Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1
Summary of Significant Accounting Policies, Continued

Property and Equipment

Property and equipment 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
Computer hardware, software and equipment	3-10 years
Furniture and fixtures	10 years

Leases

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 and the charge to earnings is included in selling and administrative expenses in the Condensed Consolidated Statements of Operations.

Certain leases include rent increases during the initial lease term. For these leases, the Company recognizes the related rental expense on a straight-line basis over the term of the lease (which includes any rent holidays and the pre-opening period of construction, renovation, fixturing and merchandise placement) and records the difference between the amounts charged to operations and amounts paid as deferred rent.

The Company occasionally receives reimbursements from landlords to be used towards construction of the store the Company intends to lease. Leasehold improvements are recorded at their gross costs including items reimbursed by landlords. The reimbursements are amortized as a reduction of rent expense over the initial lease term. Tenant allowances of \$23.8 million, \$20.0 million and \$20.0 million at November 2, 2013, February 2, 2013 and October 27, 2012, respectively, and deferred rent of \$40.5 million, \$37.9 million and \$37.2 million at November 2, 2013, February 2, 2013 and October 27, 2012, respectively, are included in deferred rent and other long-term liabilities on the Condensed Consolidated Balance Sheets.

Goodwill and Other Intangibles

Under the provisions of the Intangibles – Goodwill and Other Topic of the Codification, goodwill and intangible assets with indefinite lives are not amortized, but are tested at least annually, during the fourth quarter, for impairment. The Company will update the tests between annual tests if events or circumstances occur that would more likely than not reduce the fair value of the business unit with which the goodwill is associated below its carrying amount. It is also required that intangible assets with finite lives be amortized over their respective lives to their estimated residual values, and reviewed for impairment in accordance with the Property, Plant and Equipment Topic of the Codification.

Intangible assets of the Company with indefinite lives are primarily goodwill and identifiable trademarks acquired in connection with the acquisition of Schuh Group Ltd. in June 2011 and Hat World Corporation in April 2004. The Condensed Consolidated Balance

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Note 1
Summary of Significant Accounting Policies, Continued

Sheets include goodwill of \$180.4 million for the Lids Sports Group, \$101.8 million for the Schuh Group and \$0.8 million for Licensed Brands at November 2, 2013, \$172.3 million for the Lids Sports Group, \$100.7 million for the Schuh Group and \$0.8 million for Licensed Brands at February 2, 2013 and \$168.8 million for the Lids Sports Group, \$102.6 million for the Schuh Group and \$0.8 million for Licensed Brands at October 27, 2012.

The Company tests for impairment of intangible assets with an indefinite life, relying on a number of factors including operating results, business plans, projected future cash flows and observable market data. The impairment test for identifiable assets not subject to amortization consists of a comparison of the fair value of the intangible asset with its carrying amount. The Company has not had an impairment charge for intangible assets.

In connection with acquisitions, the Company records goodwill on its Condensed Consolidated Financial Statements. This asset is not amortized but is subject to an impairment test at least annually, based on projected future cash flows from the acquired business discounted at a rate commensurate with the risk the Company considers to be inherent in its current business model. The Company performs the impairment test annually as of the close of its fiscal year, or more frequently if events or circumstances indicate that the value of the asset might be impaired.

As a result of the various acquisitions comprising the Lids Team Sports team dealer business, the Company carries goodwill related to such acquisitions at a value of \$14.4 million on its Condensed Consolidated Balance Sheets. The Company found that the result of its annual impairment test in January 2013, which valued the business at approximately \$2.8 million in excess of its carrying value, indicated no impairment at that time. The Company may determine in future impairment tests that some or all of the carrying value of the goodwill may not be recoverable. Such a finding would require a write-off of the amount of the carrying value that is impaired, which would reduce the Company's profitability in the period of the impairment charge. Holding all other assumptions constant as of the measurement date, the Company noted that an increase in the weighted average cost of capital of 100 basis points would reduce the fair value of the Lids Team Sports business by \$7.4 million. Furthermore, the Company noted that a decrease in projected annual revenue growth by one percent would reduce the fair value of the Lids Team Sports business by \$0.4 million. However, if other assumptions do not remain constant, the fair value of the Lids Team Sports business may decrease by a greater amount.

Identifiable intangible assets of the Company with finite lives are trademarks, customer lists, in-place leases, non-compete agreements and a vendor contract. They are subject to amortization based upon their estimated useful lives. Finite-lived intangible assets are evaluated for impairment using a process similar to that used to evaluate other definite-lived long-lived assets, a comparison of the fair value of the intangible asset with its carrying amount. An impairment loss is recognized for the amount by which the carrying value exceeds the fair value of the asset.

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Note 1
Summary of Significant Accounting Policies, Continued

Fair Value of Financial Instruments

The carrying amounts and fair values of the Company's financial instruments at November 2, 2013 and February 2, 2013 are:

Fair Values In thousands	November 2, 2013		February 2, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
U.S. Revolver Borrowings	\$79,000	\$79,106	\$27,700	\$27,742
UK Term Loans	18,957	19,003	22,982	22,982

Debt fair values were determined using a discounted cash flow analysis based on current market interest rates for similar types of financial instruments and would be classified in Level 2 as defined in Note 6.

Carrying amounts reported on the Condensed Consolidated Balance Sheets for cash, cash equivalents, receivables and accounts payable approximate fair value due to the short-term maturity of these instruments.

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 its distribution facilities allocated to its 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 its retail operations, those related to the transportation of products from the warehouse to the store and (iii) costs of its distribution facilities which are allocated to its retail operations. Wholesale and unallocated retail costs of distribution are included in selling and administrative expenses on the Condensed Consolidated Statements of Operations in the amounts of \$2.3 million and \$2.2 million for the third quarters of Fiscal 2014 and 2013, respectively, and \$6.5 million and \$6.0 million for the first nine months of Fiscal 2014 and 2013, respectively.

Gift Cards

The Company has a gift card program that began in calendar year 1999 for its Lids Sports operations and calendar year 2000 for its footwear operations. The gift cards issued to date do not expire. As such, the Company recognizes income when: (i) the gift card is redeemed by the customer; or (ii) the likelihood of the gift card being redeemed by the customer for the purchase of goods in the future is remote and there are no related escheat laws (referred to as "breakage"). The gift card

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Note 1
Summary of Significant Accounting Policies, Continued

breakage rate is based upon historical redemption patterns and income is recognized for unredeemed gift cards in proportion to those historical redemption patterns.

Gift card breakage is recognized in revenues each period for which financial statements are updated. Gift card breakage recognized as revenue was \$0.2 million and less than \$0.1 million for the third quarter of Fiscal 2014 and 2013, respectively, and \$0.3 million and \$0.2 million for the first nine months of Fiscal 2014 and 2013, respectively. The Condensed Consolidated Balance Sheets include an accrued liability for gift cards of \$11.1 million, \$13.1 million and \$9.7 million at November 2, 2013, February 2, 2013 and October 27, 2012, respectively.

Buying, Merchandising and Occupancy Costs

The Company records buying, merchandising and occupancy costs in selling and administrative expense on the Condensed Consolidated Statements of Operations. 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 related to inventory purchased from suppliers are included in the cost of inventory and are charged to cost of sales in the period that the inventory is sold. All other 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 on the Condensed Consolidated Statements of Operations.

Preopening Costs

Costs associated with the opening of new stores are expensed as incurred, and are included in selling and administrative expenses on the accompanying Condensed Consolidated Statements of Operations.

Store Closings and Exit Costs

From time to time, the Company makes strategic decisions to close stores or exit locations or activities. If stores or operating activities to be closed or exited constitute components, as defined by the Property, Plant and Equipment Topic of the Codification, and will not result in a migration of customers and cash flows, these closures will be considered discontinued operations when the related assets meet the criteria to be classified as held for sale, or at the cease-use date, whichever occurs first. The results of operations of discontinued operations are presented retroactively, net of tax, as a separate component on the Condensed Consolidated Statements of Operations, if material individually or cumulatively. To date in Fiscal 2014, no store closings meeting the discontinued operations criteria have been material individually or cumulatively.

Assets related to planned store closures or other exit activities are reflected as assets held for sale and recorded at the lower of carrying value or fair value less costs to sell when the required criteria, as defined by the Property, Plant and Equipment Topic of the Codification, are satisfied. Depreciation ceases on the date that the held for sale criteria are met.

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Note 1
Summary of Significant Accounting Policies, Continued

Assets related to planned store closures or other exit activities that do not meet the criteria to be classified as held for sale are evaluated for impairment in accordance with the Company's normal impairment policy, but with consideration given to revised estimates of future cash flows. In any event, the remaining depreciable useful lives are evaluated and adjusted as necessary.

Exit costs related to anticipated lease termination costs, severance benefits and other expected charges are accrued for and recognized in accordance with the Exit or Disposal Cost Obligations Topic of the Codification.

Advertising Costs

Advertising costs are predominantly expensed as incurred. Advertising costs were \$14.1 million and \$12.5 million for the third quarters of Fiscal 2014 and 2013, respectively, and \$38.0 million and \$33.6 million for the first nine months of Fiscal 2014 and 2013, respectively. Direct response advertising costs for catalogs are capitalized in accordance with the Other Assets and Deferred Costs Topic for Capitalized Advertising Costs of the Codification. Such costs are amortized over the estimated future period as revenues are realized from such advertising, not to exceed six months. The Condensed Consolidated Balance Sheets include prepaid assets for direct response advertising costs of \$3.6 million, \$1.4 million and \$1.8 million at November 2, 2013, February 2, 2013 and October 27, 2012, respectively.

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 most of the Company's wholesale footwear 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 wholesale 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 the Revenue Recognition Topic for Customer Payments and Incentives of the Codification.

Cooperative advertising costs recognized in selling and administrative expenses on the Condensed Consolidated Statements of Operations were \$0.9 million and \$1.1 million for the third quarters of Fiscal 2014 and 2013, respectively, and \$2.7 million and \$2.8 million for the first nine months of

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Note 1
Summary of Significant Accounting Policies, Continued

Fiscal 2014 and 2013, respectively. During the first nine months of Fiscal 2014 and 2013, 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 or expected to be taken. These markdowns are typically negotiated on specific merchandise and for specific amounts. These specific allowances are recognized as a reduction in cost of sales in the period in which the markdowns are taken. Markdown allowances not attached to specific inventory on hand or already sold are applied to concurrent or future purchases from each respective vendor.

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 specific 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 in which the associated expense is incurred. If the amount of cash consideration received exceeds the costs being reimbursed, such excess amount would be recorded as a reduction of cost of sales.

Vendor reimbursements of cooperative advertising costs recognized as a reduction of selling and administrative expenses were \$0.6 million and \$0.9 million for the third quarters of Fiscal 2014 and 2013, respectively, and \$1.8 million and \$2.5 million for the first nine months of Fiscal 2014 and 2013, respectively. During the first nine months of Fiscal 2014 and 2013, the Company's cooperative advertising reimbursements received were not in excess of the costs incurred.

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.

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 9).

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Note 1
Summary of Significant Accounting Policies, Continued

Other Comprehensive Income

The Comprehensive Income Topic of the Codification requires, among other things, the Company's pension liability adjustment, postretirement liability adjustment and foreign currency translation adjustments to be included in other comprehensive income net of tax. Accumulated other comprehensive loss at November 2, 2013 consisted of \$23.2 million of cumulative pension liability adjustments, net of tax, a cumulative post retirement liability adjustment of \$0.3 million, net of tax, and a cumulative foreign currency translation adjustment of \$1.8 million.

The following table summarizes the components of accumulated other comprehensive income for the quarter ended November 2, 2013:

	Foreign Currency Translation	Unrecognized Pension/Postretirement Benefit Costs	Total Accumulated Other Comprehensive Income (Loss)
(In thousands)			
Balance February 2, 2013	\$(1,931	)\$ (26,310	) \$(28,241
Other comprehensive income (loss) before reclassifications:			
Foreign currency translation adjustment	131	—	131
Amounts reclassified from AOCI:			
Amortization of net actuarial loss (1)	—	4,721	4,721
Amortization reclassified from AOCI, before tax	—	4,721	4,721
Income tax expense (2)	—	1,862	1,862
Current period other comprehensive (loss) income, net of tax	131	2,859	2,990
Balance November 2, 2013	\$(1,800	)\$ (23,451	) \$(25,251

(1) Amount is included in net periodic benefit cost, which is recorded in selling and administrative expense on the Condensed Consolidated Statements of Operations.

(2) Relates to amounts reclassified from AOCI.

Business Segments

The Segment Reporting Topic of the Codification requires that companies disclose "operating segments" based on the way management disaggregates the Company's operations for making internal operating decisions (see Note 11).

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Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1
Summary of Significant Accounting Policies, Continued

New Accounting Principles

In February 2013, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) No. 2013-02, “Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income” (“AOCI”), which sets forth additional disclosure requirements for items reclassified out of AOCI and into net income, and is effective for annual and interim reporting periods beginning after December 15, 2012. The Company adopted ASU No. 2013-02 in the first quarter of Fiscal 2014 by presenting amounts reclassified out of AOCI as a separate disclosure in Note 1 to the Condensed Consolidated Financial Statements. Amounts reclassified out of AOCI were related to amortization of net actuarial loss associated with the Company's pension and postretirement plans.

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Note 2
Restatement of Previously Issued Financial Statements

The Company restated its Consolidated Financial Statements for Fiscal 2013, 2012 and 2011 in its Form 10-K/A filed September 24, 2013 and restated its Condensed Consolidated Financial Statements for the three month periods ended May 4, 2013 and April 28, 2012 in its Form 10-Q/A filed September 24, 2013. This report on Form 10-Q includes restated Condensed Consolidated Financial Statements for the three and nine months ended October 27, 2012.

Under the Company's EVA Incentive Plan, bonus awards in excess of a specified cap in any year are retained and paid out over the three subsequent years, subject to reduction or elimination by deteriorating financial performance or subject to forfeiture if the participant voluntarily resigns from employment with the Company or is terminated for cause before the retained amount is paid. Historically, the Company has expensed the full amount of the retained bonus in the year in which it was determined. As a result of a review of this treatment, the Company has determined that the retained bonus should be expensed across the three-year service period rather than fully expensed in the year it is determined.

Following is a summary of the effects of corrections on the Company's Condensed Consolidated Balance Sheets, Statements of Operations, Statements of Comprehensive Income and Statements of Cash Flows for the three and nine months ended October 27, 2012. The corrections had no impact on total revenues or total cash flows for the restated periods and had no impact on the Company's compliance with debt covenants in any period presented.

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Notes to Condensed Consolidated Financial Statements (unaudited)

Note 2
Restatement of Previously Issued Financial Statements, Continued

	As of and for the three months Ended October 27, 2012		
	As Previously Reported	Adjustments	As Restated
(In Thousands, except per share amounts)			
Condensed Consolidated Balance Sheets			
Deferred income taxes	\$30,711	\$(7,776)	)\$22,935
Total assets	1,433,398	(7,776)	)1,425,622
Accrued employee compensation	64,362	(9,580)	)54,782
Accrued other taxes	22,962	(1,134)	)21,828
Total current liabilities	388,935	(10,714)	)378,221
Deferred rent and other long-term liabilities	152,499	(10,095)	)142,404
Total liabilities	657,508	(20,809)	)636,699
Retained earnings	625,499	13,033	638,532
Total Genesco equity	773,879	13,033	786,912
Total equity	775,890	13,033	788,923
Total liabilities and equity	1,433,398	(7,776)	)1,425,622
Condensed Consolidated Statements of Operations and Comprehensive Income			
Cost of sales	\$330,110	\$(64)	)\$330,046
Selling and administrative expenses	281,613	(1,766)	)279,847
Earnings from operations	52,378	1,830	54,208
Earnings from continuing operations before income taxes	51,077	1,830	52,907
Income tax expense	10,108	578	10,686
Earnings from continuing operations	40,969	1,252	42,221
Net earnings	40,875	1,252	42,127
Comprehensive Income	44,031	1,252	45,283
Basic EPS - continuing operations	1.74	0.05	1.79
Basic EPS - net earnings	1.73	0.05	1.78
Diluted EPS - continuing operations	1.71	0.05	1.76
Diluted EPS - net earnings	1.70	0.06	1.76
Condensed Consolidated Statements of Cash Flows			
Net earnings	\$40,875	\$1,252	\$42,127
Deferred income taxes	(5,121)	)578	(4,543)
Other accrued liabilities	9,552	(2,007))7,545
Other assets and liabilities	689	177	866

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Note 2
Restatement of Previously Issued Financial Statements, Continued

	As of and for the nine months ended October 27, 2012		
	As Previously Reported	Adjustments	As Restated
(In Thousands, except per share amounts)			
Condensed Consolidated Balance Sheets			
Deferred income taxes	\$30,711	\$(7,776)	)\$22,935
Total assets	1,433,398	(7,776)	)1,425,622
Accrued employee compensation	64,362	(9,580)	)54,782
Accrued other taxes	22,962	(1,134)	)21,828
Total current liabilities	388,935	(10,714)	)378,221
Deferred rent and other long-term liabilities	152,499	(10,095)	)142,404
Total liabilities	657,508	(20,809)	)636,699
Retained earnings	625,499	13,033	638,532
Total Genesco equity	773,879	13,033	786,912
Total equity	775,890	13,033	788,923
Total liabilities and equity	1,433,398	(7,776)	)1,425,622
Condensed Consolidated Statements of Operations and Comprehensive Income			
Cost of sales	\$894,090	\$(343)	)\$893,747
Selling and administrative expenses	807,798	(1,373)	)806,425
Earnings from operations	105,340	1,716	107,056
Earnings from continuing operations before income taxes	101,715	1,716	103,431
Income tax expense	29,394	53	29,447
Earnings from continuing operations	72,321	1,663	73,984
Net earnings	72,009	1,663	73,672
Comprehensive Income	75,306	1,663	76,969
Basic EPS - continuing operations	3.05	0.07	3.12
Basic EPS - net earnings	3.04	0.07	3.11
Diluted EPS - continuing operations	3.00		