Registered Number 5570073

Shoe Zone Group Limited

Financial statements

for the 52 weeks ended 1 January 2011

Shoe Zone Group Limited

Financial statements for the 52 weeks ended 1 January 2011

Shoe Zone Group Limited

Directors and advisers

Directors

M J Smith
A E P Smith
J C P Smith
C A Howes
N J Davis

Secretary

K R Phillips

Registered office

Haramead Business Centre
Humberstone Road
Leicester
LE1 2LH

Auditor

PKF (UK) LLP
Pannell House
159 Charles Street
Leicester
LE1 1LD

Principal Bankers

HSBC Bank plc
2-6 Gallowtree Gate
Leicester
LE1 1DA

Solicitors

Shoosmiths
Waterfront House
Waterfront Plaza
35 Station Street
Nottingham
NG2 3DQ

Shoe Zone Group Limited

Directors' report for the 52 weeks ended 1 January 2011

The directors present the annual report and audited financial statements of the company and the group for the 52 weeks ended 1 January 2011

Business review and principal activities

The principal activity of the group continues to be footwear retailing in the United Kingdom and the Republic of Ireland The company is the ultimate parent undertaking of the group

The directors report a successful period for the group with a profit before tax of £9 9m (2 January 2010 £15 3m)

The group has net assets of £44 8m at 1 January 2011 (2 January 2010 £34 8m)

Future outlook

Trade in the current period has been difficult with like-for-like sales down The economic climate remains challenging but we anticipate a stronger performance in the seasons ahead The group continues to invest in its ongoing refit programme and will diversify further through additional online transactional channels Despite inflationary pressure in the economy the group remains committed to offering low prices and will continue to enforce its competitive advantage

Shoe Zone Group has been built on the foundations of strong relationships with our employees Our continued success is thanks to the dedication, expertise and outstanding contribution of all our employees We will continue to invest in recruitment, training and development to strengthen and extend our customer service proposition Our business is also indebted to our strong management team and our suppliers and contractors

Financial risk management

The group's operations expose it to a variety of financial risks that include the effects of liquidity risk, foreign currency risk and interest rate risk The group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the group by monitoring the management of net cash, and the related finance income and costs As the group has both interest bearing assets and interest bearing liabilities, management maintain a close monitoring of the respective balances to ensure any interest rate risk is managed

The group does not make significant use of derivative financial instruments but does use forward currency contracts when management consider this to be appropriate External expert advice is sought on the suitability of these currency contracts in respect of the timings and rate The group has no exposure to equity securities Limited credit risk exposure exists given the high level of cash transactions through the store network Where credit risk arises management have procedures in place to assess the level of risk to be taken, with approval by the directors for significant credit transactions

Principal risks and uncertainties

The management of the business and the execution of the group's strategy are subject to a number of risks

The key business risks affecting the group are considered to relate to competition from both national and independent retailers, employee retention, and product availability

Key performance indicators ("KPIs")

At the KPI level, shoe retailing is a relatively straightforward business The key indicators of turnover, gross profit, operating profit, net current assets and employee costs are disclosed elsewhere in these financial statements Management critically benchmark these indicators between individual shops and regions, as well as against competitors where such data can be obtained, in order to successfully manage the business

Employee involvement

The group places significant emphasis on its employees' involvement in the business at all levels All employees are kept informed of issues affecting the group through formal and informal meetings and through the group s internal "headlines' publication Members of the management board regularly visit all group locations and discuss matters of current interest and concern with employees

Diversity and inclusion

The group recognises the importance of diversity and inclusion and has systems in place to recruit employees of different genders, ages, disabilities and ethnic origins In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the group continues and the appropriate training is arranged

Charitable and political donations

Employees raised £50,000 (2 January 2010 £48,000) during the period, which was allocated to various charities The company made a charitable donation of £150,000 to the Shoe Zone Trust (2 January 2010 £70,000) and has committed a further £100,000 to be paid in 2011 The Shoe Zone Trust (an independent charitable trust) allocated £160,000 (2 January 2010 £75,000) to various charities including two children's educational projects in the Philippines, CORD, Leicester Charity Link, Wishes 4 Kids and a charity named 500 miles, which aims to help amputees and disabled people in deprived parts of the World Regular updates are available via the Shoe Zone website (www shoezone com) No political contributions were made during the current or previous year

Environment

The vast majority of our stores in England, Wales and Scotland have a requirement to ensure that all packaging and store waste is returned to our distribution centre to be recycled and re-used

Corporate responsibility

The group is committed to responsible growth By putting customers first and through its relationship with its employees, the group has developed effective ways of making positive contributions to society and the environment

Directors

The directors of the company during the period through to 1 January 2011 were as shown on page 1

Qualifying third party indemnity provisions

The company maintains liability insurance for directors and officers as permitted by section 234 of the Companies Act 2006

Directors' report for the 52 weeks ended 1 January 2011 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period In preparing these financial statements the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Provision of information to auditor

Each of the persons who are directors at the time when the directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and

- each director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing their report and to establish that the company's auditor is aware of that information

By order of the board

K R Phillips
Secretary
Date 28 April 2011

Independent auditor's report to the members of Shoe Zone Group Limited

We have audited the financial statements of Shoe Zone Group Limited for the period ended 1 January 2011 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and parent company reconciliation of movements in shareholders' funds, the consolidated and parent company balance sheets, the consolidated cash flow statement and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Boards Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 1 January 2011 and of its profit for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditor's report to the members of Shoe Zone Group Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

PKF (UK) LLP

Roger Merchant (Senior statutory auditor)
for and on behalf of PKF (UK) LLP, Statutory auditor
Leicester
Date 28 April 2011

Consolidated profit and loss account for the 52 weeks ended 1 January 2011

	Note	**52 weeks ended 1 January 2011**	52 weeks ended 2 January 2010
		£'000	£'000
Turnover	2	**239,071**	246,422
Cost of sales		**(208,750)**	(212,769)
Gross profit		**30,321**	33,653
Distribution costs		**(7,380)**	(7,306)
Administration expenses		**(13,167)**	(10,998)
Operating profit	3	**9,774**	15,349
Net interest payable	7	**(83)**	(172)
Other finance income	8	**160**	168
Profit on ordinary activities before taxation		**9,851**	15,345
Taxation on profit on ordinary activities	9	**(2,624)**	(3,345)
Profit on ordinary activities after taxation		**7,227**	12,000

All amounts relate to continuing activities

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the period stated above and their historical cost equivalents

Shoe Zone Group Limited

Consolidated statement of total recognised gains and losses for the 52 weeks ended 1 January 2011

	52 weeks ended 1 January 2011	52 weeks ended 2 January 2010
	£'000	£'000
Profit for the financial period	**7,227**	12,000
Actuarial gain/(loss) on pension schemes (note 23)	**3,697**	(3,847)
Movement on deferred tax relating to pension scheme	**(961)**	1,077
Total recognised gains and losses relating to the period	**9,963**	9,230

Consolidated reconciliation of movements in shareholders' funds for the 52 weeks ended 1 January 2011

	52 weeks ended 1 January 2011	52 weeks ended 2 January 2010
	£'000	£'000
Profit for the financial period	7,227	12,000
Actuarial gain/(loss) on pension schemes (note 23)	3,697	(3,847)
Movement on deferred tax relating to pension scheme	(961)	1,077
Net movement to shareholders' funds	9,963	9,230
Opening shareholders' funds	34,848	25,618
Closing shareholders' funds	44,811	34,848

Company reconciliation of movements in shareholders' funds for the 52 weeks ended 1 January 2011

	52 weeks ended 1 January 2011	52 weeks ended 2 January 2010
	£'000	£'000
Profit/(loss) for the financial period	438	(184)
Net movement to shareholders' funds	438	(184)
Opening shareholders' deficit	(97)	87
Closing shareholders' funds	341	(97)

Shoe Zone Group Limited

Consolidated balance sheet as at 1 January 2011

	Notes	1 January 2011	2 January 2010
		£'000	£'000
Fixed assets			
Tangible assets	10	**36,807**	32,639
		36,807	32,639
Current assets			
Properties held for resale	10	**70**	-
Stocks	12	**27,888**	29,279
Debtors	13	**13,853**	15,446
Bank and cash		**6,756**	8,731
		48,567	53,456
Creditors: amounts falling due within one year	14	**(32,250)**	(38,852)
Net current assets		**16,317**	14,604
Total assets less current liabilities		**53,124**	47,243
Creditors: amounts falling due after one year	15	**(6,212)**	(7,000)
Provisions for liabilities and charges	16	**(4,047)**	(4,263)
Net assets excluding pension asset/(liability)		**42,865**	35,980
Pension asset/(liability)	23	**1,946**	(1,132)
Net assets including pension asset/(liability)		**44,811**	34,848
Capital and reserves			
Called up share capital	19	**6**	6
Merger reserve	20	**3,153**	3,153
Capital redemption reserve	20	**3**	3
Profit and loss account	20	**41,649**	31,686
Total shareholders' funds		**44,811**	34,848

The financial statements were approved and authorised for issue by the board of directors and were signed on its behalf by

A E P Smith
Director
Date 28 April 2011

Shoe Zone Group Limited

Company balance sheet as at 1 January 2011

	Notes	1 January 2011	2 January 2010
		£'000	£'000
Fixed assets			
Investments	11	**20,894**	10,970
Current assets			
Debtors	13	**-**	3,205
Creditors: amounts falling due within one year	14	**(8,499)**	(7,272)
Net current liabilities		**(8,499)**	(4,067)
Total asset less current liabilities		**12,395**	6,903
Creditors: amounts falling due after one year	15	**(12,054)**	(7,000)
Net asset/(liability)		**341**	(97)
Capital and reserves			
Called up share capital	19	**6**	6
Capital redemption reserve	20	**3**	3
Profit and loss account	20	**332**	(106)
Total shareholders' funds		**341**	(97)

The financial statements were approved and authorised for issue by the board of directors and were signed on its behalf by

A E P Smith
Director
Date 28 April 2011

Shoe Zone Group Limited

Consolidated cash flow statement for the 52 weeks ended 1 January 2011

	52 weeks ended 1 January 2011	52 weeks ended 1 January 2011	52 weeks ended 2 January 2010	52 weeks ended 2 January 2010
	£'000	£'000	£'000	£'000
Net cash inflow from operating activities		14,370		17,133
Returns on investment and servicing of finance				
Interest received	22		30	
Interest paid	(105)		(220)	
Net cash outflow from returns on investment and servicing of finance		(83)		(190)
Taxation (paid)/received		(3,341)		98
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(10,918)		(8,729)	
Sale of tangible fixed assets	(2)		690	
Net cash outflow for capital expenditure and financial investment		(10,920)		(8,039)
Net cash inflow before financing		26		9,002
Financing				
Re-purchase of preference share capital	-		(53)	
Repayment of unsecured loans	(2,001)		(538)	
Net cash outflow from financing		(2,001)		(591)
(Decrease)/increase in net cash		(1,975)		8,411

Further analysis of the consolidated cash flow statement is included in note 24

Shoe Zone Group Limited

Notes to the financial statements for the 52 weeks ended 1 January 2011

1 Accounting policies

The financial statements have been prepared in accordance with the Companies Act 2006 and the applicable Accounting Standards in the United Kingdom A summary of the key accounting policies, all of which have been applied consistently throughout the period and the preceding period, are set out below

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards Where a choice of treatment is available the directors apply the most appropriate policy and estimation technique in accordance with FRS 18 Accounting Policies ("FRS 18")

Turnover

Turnover, which excludes valued added tax and sales between group companies, represents the retail value of goods and services supplied Revenue is recognised at the completion of a transaction at the point of sale

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Shoe Zone Group Limited and its subsidiary undertakings all made up to 1 January 2011 The results for all subsidiary companies are consolidated using the acquisition method of accounting

The company has taken advantage of the exemption under Section 408 of the Companies Act 2006 and has not presented its own profit and loss account

The result arising in the accounts of the parent company for the period to 1 January 2011 was a profit of £438,000 (52 weeks ended 2 January 2010 a loss of £155,000)

Tangible fixed assets

All assets are held at cost (purchase cost together with any incidental costs) or the value prevailing at the time of their acquisition

Freehold and long leasehold properties

No depreciation is provided against freehold or long leasehold land Depreciation is provided against freehold shop properties, however in all cases it is believed that the residual value of the assets is equal to or higher than the cost at acquisition Each year the directors review the residual value of all properties, in accordance with FRS 11 Impairment of Fixed Assets and Goodwill ("FRS 11"), and provision is made for any diminution in value of these properties

Long leasehold properties are depreciated over the period to the next rent review where the period remaining to that date is less than fifty years Depreciation is provided on a straight-line basis

Short leasehold properties.

Short leasehold properties are depreciated on a straight line basis over the remaining life of the lease where the period remaining is less than fifty years

1 Accounting policies (continued)

Leasehold improvements, fixtures and fittings and motor vehicles

Leasehold improvements and fixtures and fittings are depreciated over 5 to 10 years on a straight-line basis Motor vehicles are depreciated over 3 to 5 years on a straight-line basis This fairly reflects the useful economic lives of these assets

Investments

Investments held as fixed assets are stated at cost, less any provision for impairment

Stocks

Stocks are valued at the lower of cost and net realisable value Cost is based on the cost of purchase on a first in, first out basis Net realisable value is based on estimated selling price, with a provision made for any goods selling below cost

Deferred taxation

As required by FRS 19 Deferred Tax ("FRS 19"), deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future Deferred tax assets are recognised to the extent that they are "more likely than not" to be recovered Deferred tax assets and liabilities recognised have not been discounted

Operating leases

Annual rentals under operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease Incentives received at the inception of a lease are released on a straight-line basis to the profit and loss account over the lease term or the period to the next rent review, if shorter

Onerous leases and dilapidations

Provision is made for onerous leases to reflect the future lease costs associated with vacant properties These lease costs are provided for over the remaining lease periods or until the point the asset is expected to be utilised internally, sub-let or disposed of, if shorter

Provision is made for dilapidations on self repairing leases as they arise, based on a detailed branch by branch review This includes an assessment of the constructive obligations which exist based on a review of anticipated branch repairs

Customer returns

Provision is made for the anticipated cost of post period-end customer returns This assessment is based on recent historical trends of customer return levels

1 Accounting policies (continued)

Pension costs

The group operates both defined benefit and defined contribution funded pension schemes The schemes are administered by trustees and are independent of the group

For the group's defined benefit schemes, contributions are paid in accordance with the recommendations of independent actuaries to enable the trustees to meet the benefits accruing in respect of current and future service

Pension scheme assets are measured using bid values, in accordance with the amendment to FRS 17 Retirement Benefits ("FRS 17") Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability The expected return on the schemes' assets and the increase during the period in the present value of the schemes' liabilities arising from the passage of time are included in other finance income Actuarial gains and losses are recognised in the consolidated statement of total recognised gains and losses

The pension schemes' surpluses to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet net of the related deferred tax

Contributions to the group's defined contribution pension schemes are charged to the profit and loss account in the period in which they become payable

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and all such gains and losses arising are included in the profit and loss account

As the Irish operations are closely interlinked with those in the United Kingdom all exchange gains or losses are dealt with through the profit and loss account Profit and loss account transactions are transacted at the average rate of exchange prevailing during the period and the balance sheet is translated at the period-end exchange rate Fixed assets denominated in foreign currencies are translated into sterling at the rates ruling at the date of purchase

Shoe Zone Group Limited

Notes to the financial statements for the 52 weeks ended 1 January 2011 (continued)

2 Turnover and geographical analysis

The turnover is attributable to the principal activity of the group The geographical analysis of the group's turnover (by location of retail outlet) is as follows

	Turnover 52 weeks ended 1 January 2011	Turnover 52 weeks ended 2 January 2010
	£'000	£'000
United Kingdom	**230,547**	236,436
Republic of Ireland	**8,524**	9,986
	239,071	246,422

There are no differences between turnover by origin and by sales destination

3 Operating profit

	52 weeks ended 1 January 2011	52 weeks ended 2 January 2010
	£'000	£'000
Operating profit is stated after charging/(crediting)		
Depreciation on owned assets	**6,053**	5,445
Amortisation of goodwill	**-**	(3,942)
Loss on disposal of fixed assets	**188**	20
Operating lease rentals		
Plant and machinery	**995**	946
Land and buildings	**36,905**	37,591
Foreign exchange losses/(gains)	**31**	(68)

Notes to the financial statements for the 52 weeks ended 1 January 2011 (continued)

4 Auditor's remuneration

	52 weeks ended 1 January 2011	52 weeks ended 2 January 2010
	£'000	£'000
Fees payable to the company's auditor and its associate in respect of		
The audit of the parent company	**4**	3
The audit of the company's subsidiaries	**54**	52
	58	55

5 Employees

The average monthly number of employees, including directors, during the period was as follows

	52 weeks ended 1 January 2011	52 weeks ended 2 January 2010
	No.	No
Sales and distribution	**5,642**	5,723
Administration	**191**	193
	5,833	5,916

Staff costs, including directors, consist of

	£'000	£'000
Wages and salaries	**47,840**	49,111
Social security costs	**2,889**	2,995
Pension costs (note 23)	**549**	755
	51,278	52,861

Shoe Zone Group Limited

Notes to the financial statements for the 52 weeks ended 1 January 2011 (continued)

6 Directors' emoluments

	52 weeks ended 1 January 2011	52 weeks ended 2 January 2010
	£'000	£'000
Remuneration for management services	**838**	2,000
Contributions to defined contribution schemes	**30**	234
	868	2,234

The highest paid director received remuneration for management services of £263,000 (2 January 2010 £747,000) and contributions to a defined contribution scheme of £17,000 (2 January 2010 £116,000)

No directors are accruing benefits under defined benefit pension schemes (2 January 2010 none)

The directors are members of the following group pension schemes

	52 weeks ended 1 January 2011	52 weeks ended 2 January 2010
	No.	No
Defined contribution scheme	**5**	5

7 Net interest payable

	52 weeks ended 1 January 2011	52 weeks ended 2 January 2010
	£'000	£'000
Bank loans and overdraft	**(2)**	(22)
Other loans	**(86)**	(180)
Other interest payable	**(17)**	-
	(105)	(202)
Interest receivable	**22**	30
	(83)	(172)

Notes to the financial statements for the 52 weeks ended 1 January 2011 (continued)

8 Other finance income

	52 weeks ended 1 January 2011	52 weeks ended 2 January 2010
	£'000	£'000
Interest cost on pension liabilities	**(4,472)**	(4,079)
Expected return on pension assets	**4,632**	4,247
	160	168

9 Taxation

	52 weeks ended 1 January 2011	52 weeks ended 2 January 2010
	£'000	£'000
United Kingdom tax		
Corporation tax at 28% (2 January 2010 28%)	**2,870**	2,493
Adjustment to corporation tax in respect of prior periods	**(37)**	(104)
Total current tax charge	**2,833**	2,389
Deferred tax		
Origination and reversal of timing differences	**(319)**	956
Changes in tax rate	**110**	-
Tax charge on profit on ordinary activities	**2,624**	3,345

9 Taxation (continued)

The tax for the period is higher than (2 January 2010 lower than) the standard rate of corporation tax in the UK 28% (2 January 2010 28%) The differences are explained below

	52 weeks ended 1 January 2011	52 weeks ended 2 January 2010
	£'000	£'000
Profit on ordinary activities before tax	**9,851**	15,345
Profit on ordinary activities multiplied by the actual rate in the UK 28% (2 January 2010 28%)	**2,758**	4,297
Effects of		
Expenses not deductible for tax purposes	**806**	568
Capital allowances for the period in excess of depreciation	**(274)**	(598)
Other timing differences	**(14)**	(30)
Pension scheme	**(138)**	(71)
Amortisation of goodwill	**-**	(1,112)
Utilisation of losses	**(268)**	(453)
Adjustments to tax charge in respect of previous period	**(37)**	(108)
	2,833	2,493

The provision for deferred tax is calculated based on the tax rates enacted or substantially enacted at the balance sheet date The Chancellor of the Exchequer announced in his Budget on 23 March 2011 that the rate of corporation tax of 28% will be reduced by 2 percentage points with effect from 1 April 2011 and a further 1 percentage point a year until 2014, when it will remain at 23% At the balance sheet date the enacted future tax rate was 27% and hence the provision for deferred tax has been calculated using this rate

Notes to the financial statements for the 52 weeks ended 1 January 2011 (continued)

10 Tangible fixed assets - Group

	Freehold properties	Long leasehold properties	Short leasehold and leasehold improvements	Motor vehicles	Fixtures and fittings	Total fixed assets	Properties held for resale
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 2 January 2010	10,230	962	12,101	52	27,601	50,946	-
Additions	2,560	333	3,008	4	4,595	10,500	-
Transfers between classes	-	(771)	771	-	-	-	-
Disposals	-	-	(335)	-	(1,717)	(2,052)	-
Transfer to current assets	(70)	-	-	-	-	(70)	70
At 1 January 2011	**12,720**	**524**	**15,545**	**56**	**30,479**	**59,324**	**70**
Depreciation							
At 2 January 2010	530	77	4,379	25	13,296	18,307	-
Charge for the period	-	-	1,585	8	4,460	6,053	-
Transfers between classes	-	(77)	77	-	-	-	-
Disposals	-	-	(287)	-	(1,556)	(1,843)	-
At 1 January 2011	**530**	**-**	**5,754**	**33**	**16,200**	**22,517**	**-**
Net book value							
At 1 January 2011	**12,190**	**524**	**9,791**	**23**	**14,279**	**36,807**	**70**
At 2 January 2010	9,700	885	7,722	27	14,305	32,639	-

All properties are reviewed annually by the directors to ascertain the extent to which the value has become impaired The review during the current year did not result in any adjustment to the carrying value of fixed assets

The company has no tangible fixed assets

Notes to the financial statements for the 52 weeks ended 1 January 2011 (continued)

11 Fixed asset investments - Company

	Shares in subsidiary undertakings
	£'000
Cost	
At 2 January 2010	10,970
Share purchase	9,924
At 1 January 2011	20,894

On 12 August 2010 39,694,400 ordinary shares in Shoe Zone Limited were purchased at 25p each This was satisfied with £8,054,000 cash and £1,869,600 inter-company loan

The principal subsidiary undertakings, all of which are incorporated in the United Kingdom, are

Name of investment	Nature of business	Class of share	% owned by the Company	% owned by subsidiaries
Shoe Zone Limited	Footwear retailer	Ordinary Preference	100%	-
Castle Acres Development Limited	Property owner	Ordinary	100%	-
Zone Property Limited	Property owner	Ordinary	100%	-
Tyler Limited	Footwear retailer	Ordinary	100%	-

12 Stocks - Group

	1 January 2011	2 January 2010
	Group	Group
	£'000	£'000
Goods for resale	27,545	28,967
Shop-fitting materials and other consumables	343	312
	27,888	29,279

The company has no stocks

Notes to the financial statements for the 52 weeks ended 1 January 2011 (continued)

13 Debtors

	1 January 2011		2 January 2010	
	Group	**Company**	Group	Company
	£'000	**£'000**	£'000	£'000
Trade debtors	**1,211**	-	1,053	-
Other debtors	**224**	-	583	-
Prepayments and accrued income	**10,387**	-	12,152	-
Deferred taxation (note 17)	**2,031**	-	1,658	-
Amount owed by group undertaking	-	-	-	3,205
	13,853	-	15,446	3,205

14 Creditors: amounts falling due within one year

	1 January 2011		2 January 2010	
	Group	**Company**	Group	Company
	£'000	**£'000**	£'000	£'000
Other loans (note 18)	**4,257**	**2,000**	3,258	2,000
Trade creditors	**16,064**	-	19,159	-
Amounts owing to group undertakings	-	**6,499**	-	5,272
Social security and other taxes	**4,271**	-	3,708	-
Corporation tax	**1,944**	-	2,451	-
Other creditors	**5,714**	-	10,276	-
	32,250	**8,499**	38,852	7,272

15 Creditors: amounts falling due after more than one year

	1 January 2011		2 January 2010	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Other loans (note 18)	4,000	4,000	7,000	7,000
Amounts owing to group undertakings	-	8,054	-	-
Other creditors	2,212	-	-	-
	6,212	12,054	7,000	7,000

16 Provisions for liabilities & charges - Group

	Property	Other	Total
	£'000	£'000	£'000
At 2 January 2010	3,613	650	4,263
Charged to profit and loss account	1,012	487	1,499
Utilised in period	(1,283)	(432)	(1,715)
At 1 January 2011	**3,342**	**705**	**4,047**

Provisions for property include

a) the directors' assessment of branch repairs required on self-repairing leases These are expected to be utilised within 3 years

b) provision for onerous leases that reflect the future lease costs associated with vacant properties which are expected to be utilised within 10 years

Other provisions include

a) provisions for customer returns that represent the directors' assessment of the anticipated future costs of customer returns post period-end which are expected to be utilised within one year

b) provisions for holiday pay that reflect the assessment of expected future payments to employees in respect of holiday pay accrued but not yet paid This provision will be utilised when individual employees cease employment with the group

Notes to the financial statements for the 52 weeks ended 1 January 2011 (continued)

17 Deferred tax - Group

	1 January 2011	2 January 2010
	£'000	£'000
At beginning of the period	**1,658**	2,557
Movement during the period	**373**	(899)
At end of the period	**2,031**	1,658

	1 January 2011	2 January 2010
	£'000	£'000
Accelerated capital allowances	**1,254**	1,621
Other timing differences	**27**	37
Losses	**750**	-
Deferred tax asset	**2,031**	1,658

There were no unprovided deferred tax assets as at 1 January 2011 (2 January 2010 £741,000)

The company has no provisions for liabilities and charges

18 Borrowings

Analysis of maturity of loans is as follows:

	1 January 2011		2 January 2010	
	Group	**Company**	Group	Company
	£'000	**£'000**	£'000	£'000
Within one year	**4,257**	**2,000**	3,258	2,000
After one year	**4,000**	**4,000**	7,000	7,000
	8,257	**6,000**	10,258	9,000

18 Borrowings (continued)

Details of borrowings are as follows:

	1 January 2011		2 January 2010	
	Group	**Company**	Group	Company
	£'000	**£'000**	£'000	£'000
Loans from directors and other connected persons (note 25)	**8,257**	**6,000**	10,258	9,000
	8,257	**6,000**	10,258	9,000

19 Share capital – Company and Group

	1 January 2011	2 January 2010
	£'000	£'000
Allotted, called up and fully paid.		
526,832 (2 January 2010 526,832) A ordinary shares of 1p each (equity)	**5**	5
58,537 (2 January 2010 58,537) B ordinary shares of 1p each (non-voting)	**1**	1
	6	6

B ordinary shares rank pari-passu with the A ordinary shares but they do not carry any voting rights

20 Reserves

	Capital redemption reserve	**Merger reserve**	**Profit and loss account**
Group	**£'000**	**£'000**	**£'000**
At 2 January 2010	3	3,153	31,686
Profit for the financial period	-	-	7,227
Actuarial gain on pension scheme (note 23)	-	-	3,697
Movement on deferred tax relating to pension scheme (note 23)	-	-	(961)
At 1 January 2011	**3**	**3,153**	**41,649**

20 Reserves (continued)

	Capital Redemption Reserve	Profit and loss account
	£'000	£'000
Company		
At 2 January 2010	3	(106)
Profit for the period	-	438
At 1 January 2011	**3**	**332**

21 Commitments under operating leases - Group

	Land and buildings	Land and buildings	**Other**	Other
	1 January 2011	2 January 2010	**1 January 2011**	2 January 2010
	£'000	£'000	**£'000**	£'000
Operating leases which expire				
Within one year	**3,125**	2,464	**57**	145
In two to five years	**13,146**	11,640	**750**	650
After five years	**19,880**	22,699	**-**	-
	36,151	36,803	**807**	795

The company had no commitments under operating leases (2 January 2010 None)

22 Financial commitments - Group

At the period end foreign exchange contracts to purchase $4,000,000 with Sterling were in existence with maturity dates between 24 January 2011 and 4 April 2011 at exchange rates between 1 5821 and 1 6208 The spot rate at the year end was 1 5655

At the period end, authorised and committed capital expenditure amounted to £26,000 (2 January 2010 £113,000)

A subsidiary undertaking has given a guarantee amounting to £800,000 in favour of HM Revenue and Customs (2 January 2010 £800,000)

The company had no financial commitments (2 January 2010 None)

23 Pension costs - Group

The group operates two pension schemes in the UK the Shoe Zone Pension Scheme and the Shoefayre Limited Pension and Life Assurance Scheme The Shoe Zone Pension Scheme provided benefits on a defined benefit basis for service up to 30 September 2001 For service after that date, benefits are provided on a defined contribution basis The Shoefayre Limited Pension and Life Assurance scheme provided benefits on a defined benefit basis but was closed to future accrual on 30 June 2009 The scheme was acquired on the purchase of Shoefayre Limited on 19 September 2007 The assets of all schemes are held in separate trustee administered funds The pension contributions to the Shoe Zone Pension Scheme defined contribution element were £549,000 (to 2 January 2010 £549,000)

The pension scheme in the Republic of Ireland is the Shoe Zone (Ireland) Pension Scheme Full disclosure of this scheme is not contained in these statements, as the directors do not consider it to be material to the financial statements Full disclosure can be found in the financial statements of Shoe Zone (Ireland) Limited, Registration Number 272480

There is another UK defined contribution scheme which had no contributions during the year (2 January 2010 £206,000)

	Shoe Zone Pension Scheme	Shoefayre Limited Pension and Life Assurance Scheme	Shoe Zone (Ireland) Pension Scheme	Total
	£'000	£'000	£'000	£'000
Equities	18,849	14,202	662	33,713
Gilts/bonds	30,368	12,498	494	43,360
Property	3,142	1,704	24	4,870
Cash	-	-	64	64
Value of annuity contracts	-	-	114	114
Present value of assets	52,359	28,404	1,358	82,121
Present value of funded obligations	(48,732)	(29,540)	(1,220)	(79,492)
Surplus/(deficit)	3,627	(1,136)	138	2,629
Related deferred tax (liability)/asset	(943)	295	(35)	(683)
Net asset/(liability)	2,684	(841)	103	1,946
Amounts recognised in the statement of total recognised gains and losses (STRGL)				
Actuarial gain	1,466	2,108	123	3,697

23 Pension costs (continued)

UK defined benefit scheme - Shoe Zone Pension Scheme

The figures below are based on full actuarial valuation performed in April 2007 which was carried out by a qualified independent actuary This actuarial valuation has been updated to 1 January 2011 for the purpose of calculating the current year pension surplus and disclosures in the current period

Financial assumptions

	1 January 2011	2 January 2010
	%	%
Deferred pension revaluation	**2 9**	3 5
Pension increases	**3.4**	3 5
Discount rate	**5.6**	5 9
Retail Price Index	**3.4**	3 5

In July 2010 the government announced the replacement of the inflation index currently used from the Retail Price Index (RPI) to the Consumer Price Index (CPI) to be applied from that date forwards The effect of this change is a reduction in the year of the scheme liabilities of £440,000 (2 January 2010 £NIL)

Post retirement mortality

	1 January 2011	2 January 2010
Male currently aged 45	**89.8**	88 1
Female currently aged 45	**92.6**	90 9
Male currently aged 65	**87.8**	87 0
Female currently aged 65	**90.6**	89 9

	1 January 2011	2 January 2010
Long term expected rate of return on the scheme assets for the following year	**6.30 % pa**	6 20 % pa

Notes to the financial statements for the 52 weeks ended 1 January 2011 (continued)

23 Pension costs (continued)

UK defined benefit scheme - Shoe Zone Pension Scheme (continued)

Assets

The major categories of assets as a percentage of total assets are as follows

Asset category	1 January 2011	2 January 2010
Equities	**36%**	38%
Property	**6%**	5%
Gilts/ bonds	**58%**	56%
Cash	**-**	1%
	100%	100%

The actual return in the scheme assets net of investment expenses over the period to the review date was 11%

The assets do not include any investments in shares of the company

The expected return on assets is a weighted average of the assumed long-term returns for the various asset classes Equity and property returns are developed based on the selection of an appropriate risk premium above the risk free rate which is measured in accordance with the yield on the government bonds Bond returns are selected by reference to the yields on the government and corporate debt, as appropriate to the scheme holdings of these instruments

Amounts recognised in the balance sheet at 1 January 2011

	1 January 2011	2 January 2010
	£'000	£'000
Fair value of assets	**52,359**	49,403
Present value of funded obligations	**(48,732)**	(47,521)
Surplus	**3,627**	1,882
Related deferred tax liability	**(943)**	(527)
Net asset	**2,684**	1,355

23 Pension costs (continued)

UK defined benefit scheme - Shoe Zone Pension Scheme (continued)

Amounts recognised in the statement of total recognised gains and losses (STRGL)

	1 January 2011	2 January 2010
	£'000	£'000
Actuarial gain/(loss)	1,466	(120)
Total amount recognised in the statement of total recognised gains and losses	1,466	(120)

At 1 January 2011 the cumulative amount of actuarial losses taken to the statement of total recognised gains and losses was £5,617,000 (2 January 2010 £7,083,000)

Amounts recognised in the profit and loss account over the year

	1 January 2011	2 January 2010
	£'000	£ 000
Interest cost	(2,705)	(2,642)
Expected return on assets	2,984	2,741
	279	99

Reconciliation of assets and defined benefit obligation

The change in assets over the period was

	1 January 2010	2 January 2010
	£'000	£'000
Fair value of assets at the beginning of the period	49,403	46,075
Expected return on assets	2,984	2,741
Benefits paid	(2,554)	(2,415)
Actuarial gain	2,526	3,002
Fair value of assets at the end of the period	52,359	49,403

Notes to the financial statements for the 52 weeks ended 1 January 2011 (continued)

23 Pension costs (continued)

UK defined benefit scheme - Shoe Zone Pension Scheme (continued)

The change in defined benefit obligation over the period was

	1 January 2011	2 January 2010
	£'000	£'000
Defined benefit obligation at the beginning of the period	47,521	44,172
Interest cost	2,705	2,642
Benefits paid	(2,554)	(2,415)
Actuarial loss	1,060	3,122
Defined benefit obligation at the end of the period	48,732	47,521

Summary of prior year amounts

	1 January 2011	2 January 2010	3 January 2009	29 December 2007	30 December 2006
	£'000	£'000	£'000	£'000	£'000
Present value of defined benefit obligation	(48,732)	(47,521)	(44,172)	(52,806)	(55,605)
Scheme assets	52,359	49,403	46,075	57,152	56,318
Surplus	3,627	1,882	1,903	4,346	713
Experience gains and losses on scheme liabilities	(1,060)	3,122	(4,534)	3,338	(1,690)
Experience adjustments on scheme assets	2,526	3,002	(7,462)	(661)	422

No contributions are expected to be made during 2011 by Shoe Zone Limited

23 Pension costs (continued)

Defined benefit scheme - Shoefayre Limited Pension and Life Assurance Scheme

The figures below are based on a full actuarial valuation performed on 31 March 2007 which was carried out by a qualified independent actuary This actuarial valuation has been updated to 1 January 2011 for the purposes of calculating the current period pension surplus and disclosures in the current period

Financial assumptions

	1 January 2011	2 January 2010
	%	%
Deferred pension revaluation	**2.9**	3 5
Pension increases	**3.4**	3 5
Discount rate	**5.6**	5 9
Retail Price Index	**3.4**	3 5

In July 2010 the government announced the replacement of the inflation index currently used from the Retail Price Index (RPI) to the Consumer Price Index (CPI) to be applied from that date forwards The effect of this change is a reduction in the year of the scheme liabilities of £684,000 (2 January 2010 £NIL)

Post retirement mortality

	1 January 2011	2 January 2010
Male currently aged 45	**89 8**	88 1
Female currently aged 45	**92.6**	90 9
Male currently aged 65	**87 8**	87 0
Female currently aged 65	**90.6**	89 9

	1 January 2011	2 January 2010
Long term expected rate of return on the scheme asset for the following year	**6.60% pa**	6 10% pa

23 Pension costs (continued)

Defined benefit scheme - Shoefayre Limited Pension and Life Assurance Scheme (continued)

The major categories of assets as a percentage of total assets are as follows

Asset category	1 January 2011	2 January 2010
Equities	50%	50%
Property	6%	-
Gilts/bonds	44%	44%
Cash	-	6%
	100%	100%

The actual return on the scheme assets net of expenses over the period to the review date was 11%

The assets do not include any investments in shares of the Shoe Zone Limited

The expected return on assets is a weighted average of the assumed long-term returns for the various asset classes Equity and property returns are developed based on the selection of an appropriate risk premium above the risk free rate which is measured in accordance with the yield on the government bonds Bond returns are selected by reference to the yields on the government and corporate debt, as appropriate to the scheme holdings of these instruments

Amounts recognised in the balance sheet at 1 January 2011

	1 January 2011	2 January 2010
	£'000	£'000
Fair value of assets	28,404	26,388
Present value of funded obligations	(29,540)	(29,845)
Deficit	(1,136)	(3,457)
Related deferred tax asset	295	968
Net liability	(841)	(2,489)

Shoe Zone Group Limited

Notes to the financial statements for the 52 weeks ended 1 January 2011 (continued)

23 Pension costs (continued)

Defined benefit scheme - Shoefayre Limited Pension and Life Assurance Scheme (continued)

Amounts recognised in the statement of total recognised gains and losses (STRGL)

	1 January 2011	2 January 2010
	£'000	£'000
Actuarial gain/(loss)	**2,108**	(4,723)
Effect of limit on unrecognisable surplus	-	1,113
Total amount recognised in the statement of total recognised gains and losses	**2,108**	(3,610)

At 1 January 2011 the cumulative amount of actuarial gains and losses taken to the statement of total recognised gains and losses was a loss of £1,172,000 (2 January 2010 a loss of £3,280,000)

Amounts recognised in the profit and loss account over the period

	1 January 2011	2 January 2010
	£'000	£ 000
Current service cost	-	(24)
Interest cost	**(1,709)**	(1,382)
Expected return on assets	**1,582**	1,455
	(127)	49

23 Pension costs (continued)

Defined benefit scheme - Shoefayre Limited Pension and Life Assurance Scheme (continued)

Reconciliation of assets and defined benefit obligation

The change in assets over the period was

	1 January 2011	2 January 2010
	£'000	£ 000
Fair value of assets at the beginning of the period	**26,388**	24,525
Expected return on assets	**1,582**	1,455
Employer contributions	**340**	104
Contributions by scheme participants	**-**	26
Benefits paid	**(1,257)**	(1,929)
Actuarial gain on assets	**1,351**	2,207
Fair value of assets at the end of the period	**28,404**	26,388

The change in defined benefit obligation over the period was

	1 January 2011	2 January 2010
	£'000	£ 000
Defined benefit obligation at the beginning of the period	**29,845**	23,412
Current service cost	**-**	24
Contributions by scheme participants	**-**	26
Interest cost	**1,709**	1,382
Benefits paid	**(1,257)**	(1,929)
Actuarial (gain)/loss	**(757)**	6,930
Defined benefit obligation at the end of the period	**29,540**	29,845

Notes to the financial statements for the 52 weeks ended 1 January 2011 (continued)

23 Pension costs (continued)

Defined benefit scheme - Shoefayre Limited Pension and Life Assurance Scheme (continued)

Summary of prior year amounts

	1 January 2011	2 January 2010	Period 19 September 2007 to 29 December 2007
	£'000	£'000	£'000
Present value of defined benefit obligation	(29,540)	(29,845)	(31,030)
Scheme assets	28,404	26,388	29,835
Deficit	(1,136)	(3,457)	(1,195)
Experience gains and losses on scheme liabilities	757	6,930	568
Experience adjustments on scheme assets	1,351	2,207	(124)

Contributions of £600,000 are expected to be made during 2011 by Shoe Zone Limited

24 Notes to the cash flow statement

a) Reconciliation of operating profit to net cash inflow from operating activities.

	1 January 2011	2 January 2010
	£'000	£'000
Operating profit	**9,774**	15,349
Depreciation charges	**6,053**	5,445
Amortisation of intangible assets	**-**	(3,972)
Loss/(profit) on disposal	**188**	(44)
Cash contribution to defined benefit schemes	**(345)**	(202)
Movement in provisions	**(216)**	627
Decrease in stocks	**1,391**	1,357
Decrease in debtors	**2,089**	25
Decrease in creditors	**(4, 564)**	(1,452)
Net cash inflow from operating activities	**14,370**	17,133

Notes to the financial statements for the 52 weeks ended 1 January 2011 (continued)

24 Notes to the cash flow statement (continued)

b) Analysis of net debt

	At 2 January 2010	Cash flow	Non-cash changes	**At 1 January 2011**
	£'000	£'000	£'000	**£'000**
Cash at bank and in hand	8,731	(1,975)	-	**6,756**
	8,731	(1,975)	-	**6,756**
Debt due within one year	(3,258)	2,001	(3,000)	**(4,257)**
Debt due after one year	(7,000)	-	3,000	**(4,000)**
	(1,527)	26	-	**(1,501)**

c) Reconciliation of net cash flow to movement in net debt

	1 January 2011	2 January 2010
	£'000	£'000
(Decrease)/increase in cash in the period	**(1,975)**	8,411
Cash inflow from movement in debt financing	**2,001**	591
Change in debt arising from cash flows	**26**	9,002
Opening net debt at 2 January 2010	**(1,527)**	(10,529)
Closing net debt at 1 January 2011	**(1,501)**	(1,527)

Notes to the financial statements for the 52 weeks ended 1 January 2011 (continued)

25 Related party transactions

The company has loans from the directors AEP Smith, JCP Smith, MJ Smith and members of their family (note 18) During the period, interest of £63,000 (2 January 2010 £154,000) was paid on these loans at commercially appropriate interest rates

During the period, Shoe Zone Limited, a wholly owned subsidiary of the company, paid interest to the directors and members of their families of £23,000 (2 January 2010 £26,000) at commercially appropriate interest rates on unsecured loans made by these parties (note 18)

During the period rent of £40,000 (2 January 2010 £22,000) was paid on a property leased by the group to a pension scheme where MJ Smith, JCP Smith and AEP Smith are the beneficiaries The balance due to the scheme at the period end amounted to nil (2 January 2010 £nil)

The company has taken advantage of the exemption available under FRS 8 Related Party Disclosures ("FRS 8), not to disclose transactions with entities that are wholly owned subsidiaries of the group