Registered Number 05570073

Shoe Zone Group Limited

Annual Report and Financial Statements

for the 52 weeks ended 29 September 2012

Shoe Zone Group Limited

Financial statements for the 52 weeks ended 29 September 2012

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
J W Sharman (appointed 1 January 2012)

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

Shoe Zone Group Limited

Directors' report for the 52 weeks ended 29 September 2012

The directors present the annual report and audited financial statements of the company and the group for the 52 weeks ended 29 September 2012

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 current accounting period shows results for 52 weeks ending 29 September 2012 The directors report a profit before tax of £5 3m (39 weeks ended 1 October 2011 loss of £7 6m)

The group has net assets of £32 9m at 29 September 2012 (1 October 2011 £33 3m)

Future outlook

Trade in the current period has been strong with positive like-for-like sales performance The group carried out significant restructuring during October to December 2012 resulting in the closure of 131 stores As a number of these stores were making a negative contribution we are confident that the long term impact will be very positive, protecting the profitability of the group

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

Directors' report for the 52 weeks ended 29 September 2012 (continued)

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 £46,000 (39 weeks ended 1 October 2011 £50,000) during the period, which was allocated to various charities The group has committed and provided for £100,000 to be paid to the Shoe Zone Trust in 2013 (39 weeks ended 1 October 2011 £nil) Regular updates are available via the Shoe Zone website (www shoezone com) The group made no other charitable donations during the 52 week period to 29 September 2012 (1 October 2011 £nil) No political contributions were made during the current or previous period

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 who served during the period through to 29 September 2012 are 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 29 September 2012 (continued)

Directors' responsibilities statement

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 period 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 accounting estimates that are reasonable and prudent,
- state whether applicable UK 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 19 February 2013

Shoe Zone Group Limited

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 29 September 2012 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 and express an opinion on 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 Board's 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 group's and the parent 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 29 September 2012 and of the group's 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 period 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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, UK
Date 20 February 2013

Shoe Zone Group Limited

Consolidated profit and loss account for the 52 weeks ended 29 September 2012

	Note	52 weeks ended 29 September 2012	39 weeks ended 1 October 2011
		£'000	£'000
Turnover	1, 2	**221,114**	155,995
Cost of sales		**(197,130)**	(149,290)
Gross profit		**23,984**	6,705
Distribution costs		**(6,530)**	(5,203)
Administration expenses		**(12,391)**	(9,642)
Operating profit/(loss)	3	**5,063**	(8,140)
Net interest payable	7	**(196)**	(68)
Other finance income	8	**439**	565
Profit/(loss) on ordinary activities before taxation		**5,306**	(7,643)
Taxation on profit/(loss) on ordinary activities	9	**(2,067)**	972
Profit/(loss) on ordinary activities after taxation	21	**3,239**	(6,671)

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 29 September 2012

	52 weeks ended 29 September 2012	39 weeks ended 1 October 2011
	£'000	£'000
Profit/(loss) for the financial period	**3,239**	(6,671)
Actuarial loss on pension schemes (note 24)	**(4,649)**	(6,448)
Movement on deferred tax relating to pension schemes	**1,034**	1,612
Total recognised losses relating to the period	**(376)**	(11,507)

Consolidated reconciliation of movements in shareholders' funds for the 52 weeks ended 29 September 2012

	52 weeks ended 29 September 2012	39 weeks ended 1 October 2011
	£'000	£'000
Profit/(loss) for the financial period	**3,239**	(6,671)
Actuarial loss on pension schemes (note 24)	**(4,649)**	(6,448)
Movement on deferred tax relating to pension schemes	**1,034**	1,612
Net movement to shareholders' funds	**(376)**	(11,507)
Opening shareholders' funds	**33,304**	44,811
Closing shareholders' funds	**32,928**	33,304

Company reconciliation of movements in shareholders' funds for the 52 weeks ended 29 September 2012

	52 weeks ended 29 September 2012	39 weeks ended 1 October 2011
	£'000	£'000
Profit/(loss) for the financial period	**82**	(238)
Net movement to shareholders' funds	**82**	(238)
Opening shareholders' funds	**103**	341
Closing shareholders' funds	**185**	103

Shoe Zone Group Limited

Consolidated balance sheet as at 29 September 2012

	Notes	29 September 2012	1 October 2011
		£'000	£'000
Fixed assets			
Tangible assets	10	**29,175**	36,894
		29,175	36,894
Current assets			
Stocks	12	**29,995**	36,608
Debtors	13	**11,576**	14,478
Bank and cash		**8,685**	934
		50,256	52,020
Creditors: amounts falling due within one year	14	**(33,552)**	(43,193)
Net current assets		**16,704**	8,827
Total assets less current liabilities		**45,879**	45,721
Creditors: amounts falling due after one year	15	**(3,769)**	(5,225)
Provisions for liabilities and charges	16	**(4,236)**	(5,086)
Net assets excluding pension liability		**37,874**	35,410
Pension liability	24	**(4,946)**	(2,106)
Net assets including pension liability		**32,928**	33,304
Capital and reserves			
Called up share capital	20	**6**	6
Merger reserve	21	**3,153**	3,153
Capital redemption reserve	21	**3**	3
Profit and loss account	21	**29,766**	30,142
Total shareholders' funds		**32,928**	33,304

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 19 February 2013

Shoe Zone Group Limited

Company balance sheet as at 29 September 2012

	Notes	29 September 2012	1 October 2011
		£'000	£'000
Fixed assets			
Investments	11	**19,894**	19,894
Creditors: amounts falling due within one year	14	**(10,655)**	(8,737)
Net current liabilities		**(10,655)**	(8,737)
Total asset less current liabilities		**9,239**	11,157
Creditors: amounts falling due after one year	15	**(9,054)**	(11,054)
Net assets		**185**	103
Capital and reserves			
Called up share capital	20	**6**	6
Capital redemption reserve	21	**3**	3
Profit and loss account	21	**176**	94
Total shareholders' funds		**185**	103

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 19 February 2013

Shoe Zone Group Limited

Consolidated cash flow statement for the 52 weeks ended 29 September 2012

	52 weeks ended 29 September 2012	52 weeks ended 29 September 2012	39 weeks ended 1 October 2011	39 weeks ended 1 October 2011
	£'000	£'000	£'000	£'000
Net cash inflow/(outflow) from operating activities		14,238		(1,131)
Returns on investment and servicing of finance				
Interest received	7		5	
Interest paid	(203)		(73)	
Net cash outflow from returns on investment and servicing of finance		(196)		(68)
Taxation repayment/(paid)		1,675		(1,944)
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(2,034)		(6,081)	
Sale of tangible fixed assets	1,493		302	
Net cash outflow for capital expenditure and financial investment		(541)		(5,779)
Net cash inflow/(outflow) before financing		15,176		(8,922)
Financing				
Repayment of unsecured loans	(2,961)		(1,364)	
Net cash outflow from financing		(2,961)		(1,364)
Increase/(decrease) in net cash		12,215		(10,286)

Further analysis of the consolidated cash flow statement is included in note 25

Notes to the financial statements for the 52 weeks ended 29 September 2012

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 29 September 2012 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 financial statements of the parent company for the period to 29 September 2012 was a profit of £82,000 (39 weeks ended 1 October 2011 loss of £238,000)

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

Notes to the financial statements for the 52 weeks ended 29 September 2012 (continued)

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

Notes to the financial statements for the 52 weeks ended 29 September 2012 (continued)

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

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

	52 weeks ended 29 September 2012	39 weeks ended 1 October 2011
	£'000	£'000
United Kingdom	214,659	150,870
Republic of Ireland	6,455	5,125
	221,114	155,995

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

3 Operating profit/(loss)

	52 weeks ended 29 September 2012	39 weeks ended 1 October 2011
	£'000	£'000
Operating profit/(loss) is stated after charging		
Depreciation on owned assets	8,225	5,461
Impairment of freehold properties	530	83
(Profit)/loss on disposal of fixed assets	(179)	139
Operating lease rentals		
Plant and machinery	899	726
Land and buildings	34,497	27,086
Restructuring costs	532	-
Foreign exchange (gains)/losses	(179)	13

After the balance sheet date 122 stores were closed as part of a restructuring programme The useful economic life of the assets associated with those stores was revised by the directors, this has resulted in an accelerated depreciation charge in the period of £1,936,000 This is included within depreciation on owned assets In addition £532,000 of restructuring costs were incurred in relation to these store closures

Notes to the financial statements for the 52 weeks ended 29 September 2012 (continued)

4 Auditor's remuneration

	52 weeks ended 29 September 2012	39 weeks ended 1 October 2011
	£'000	£'000
Fees payable to the company's auditor and its associate in respect of		
The audit of the parent company	4	4
The audit of the company's subsidiaries	54	54
	58	58

5 Employees

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

	52 weeks ended 29 September 2012	39 weeks ended 1 October 2011
	No.	No
Sales and distribution	5,194	5,515
Administration	164	189
	5,358	5,704

Staff costs, including directors, consist of

	£'000	£'000
Wages and salaries	44,211	34,585
Social security costs	2,185	1,898
Pension costs (note 24)	654	477
	47,050	36,960

Shoe Zone Group Limited

Notes to the financial statements for the 52 weeks ended 29 September 2012 (continued)

6 Directors' emoluments

	52 weeks ended 29 September 2012	39 weeks ended 1 October 2011
	£'000	£'000
Remuneration for management services	**856**	768
Contributions to defined contribution schemes	**180**	74
	1,036	842
Compensation for loss of office	**40**	-

The highest paid director received remuneration for management services of £233,094 (39 weeks ended 1 October 2011 £278,000) and contributions to a defined contribution scheme of £75,000 (39 weeks ended 1 October 2011 £30,000)

No directors are accruing benefits under defined benefit pension schemes (39 weeks ended 1 October 2011 none)

During the year retirement benefits were accruing to 5 directors (39 weeks ended 1 October 2011 5) in respect of defined contribution pension schemes

7 Net interest payable

	52 weeks ended 29 September 2012	39 weeks ended 1 October 2011
	£'000	£'000
Bank loans and overdraft	**(52)**	(14)
Other loans	**(150)**	(58)
Other interest payable	**(1)**	(1)
	(203)	(73)
Interest receivable	**7**	5
	(196)	(68)

Notes to the financial statements for the 52 weeks ended 29 September 2012 (continued)

8 Other finance income

	52 weeks ended 29 September 2012	39 weeks ended 1 October 2011
	£'000	£'000
Interest cost on pension liabilities	(3,207)	(2,823)
Expected return on pension assets	3,646	3,388
	439	565

9 Taxation

	52 weeks ended 29 September 2012	39 weeks ended 1 October 2011
	£'000	£'000
United Kingdom tax		
Corporation tax at 25% (1 October 2011 26 66%)	2,420	(1,475)
Adjustment to corporation tax in respect of prior periods	(134)	(147)
Total current tax charge/(credit)	2,286	(1,622)
Deferred tax		
Origination and reversal of timing differences	(377)	421
Changes in tax rate	159	85
Adjustment to deferred tax in respect of prior periods	(1)	144
Tax charge/(credit) on profit on ordinary activities	2,067	(972)

Shoe Zone Group Limited

Notes to the financial statements for the 52 weeks ended 29 September 2012 (continued)

9 Taxation (continued)

The tax for the period is higher than (39 weeks ended 1 October 2011 higher than) the standard rate of corporation tax in the UK 25% (39 weeks ended 1 October 2011 26 66%) The differences are explained below

	52 weeks ended 29 September 2012	39 weeks ended 1 October 2011
	£'000	£'000
Profit/(loss) on ordinary activities before tax	**5,306**	(7,643)
Profit/(loss) on ordinary activities multiplied by the actual rate in the UK 25% (1 October 2011 26 66%)	**1,327**	(2,037)
Effects of		
Expenses not deductible for tax purposes	**951**	595
Fixed asset timing differences	**408**	115
Other timing differences	**(65)**	(77)
Effective change of rate	**-**	(71)
Utilisation of deferred tax asset not previously recognised	**(201)**	-
Adjustments to tax charge in respect of previous period	**(134)**	(147)
	2,286	(1,622)

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 21 March 2012 that the rate of corporation tax of 26% will be reduced by 2 percentage points with effect from 1 April 2012 and a further 1 percentage point a year until 2014, when it will remain at 22% At the balance sheet date the enacted future tax rate was 23% and hence the provision for deferred tax has been calculated using this rate

Notes to the financial statements for the 52 weeks ended 29 September 2012 (continued)

10 Tangible fixed assets - Group

	Freehold properties	Long leasehold properties	Short leasehold and leasehold improvements	Motor vehicles	Fixtures and fittings	Total fixed assets
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 October 2011	12,672	524	17,773	56	32,280	63,305
Additions	-	-	871	-	1,475	2,346
Disposals	(1,147)	(200)	(221)	(7)	(1,041)	(2,616)
At 29 September 2012	**11,525**	**324**	**18,423**	**49**	**32,714**	**63,035**
Depreciation						
At 1 October 2011	613	-	7,061	40	18,697	26,411
Charge for the period	-	-	2,997	8	5,220	8,225
Impairment	345	-	185	-	-	530
Disposals	(83)	-	(209)	(5)	(1,009)	(1,306)
At 29 September 2012	**875**	-	**10,034**	**43**	**22,908**	**33,860**
Net book value						
At 29 September 2012	**10,650**	**324**	**8,389**	**6**	**9,806**	**29,175**
At 1 October 2011	12,059	524	10,712	16	13,583	36,894

All properties are reviewed annually by the directors to ascertain the extent to which the value has become impaired Impairments were identified in respect of freehold properties amounting to £345,000 (1 October 2011 £83,000) and short leasehold properties amounting to £185,000 (1 October 2011 £nil) to reduce their carrying value to recoverable amounts

The company has no tangible fixed assets

Notes to the financial statements for the 52 weeks ended 29 September 2012 (continued)

11 Fixed asset investments

	29 September 2012	1 October 2011
	Company	Company
	£'000	£'000
At beginning of the period	**19,894**	20,894
Investment impairment	**-**	(1,000)
At end of the period	**19,894**	19,894

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
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

	29 September 2012	1 October 2011
	Group	Group
	£'000	£'000
Goods for resale	**29,760**	36,356
Shop-fitting materials and other consumables	**235**	252
	29,995	36,608

The company has no stocks

Notes to the financial statements for the 52 weeks ended 29 September 2012 (continued)

13 Debtors

	29 September 2012		1 October 2011	
	Group	**Company**	Group	Company
	£'000	**£'000**	£'000	£'000
Trade debtors	**358**	-	466	-
Other debtors	**307**	-	457	-
Prepayments and accrued income	**9,088**	-	10,325	-
Corporation tax	-	-	1,623	-
Deferred taxation (note 18)	**1,823**	-	1,607	-
	11,576	-	14,478	-

14 Creditors: amounts falling due within one year

	29 September 2012		1 October 2011	
	Group	**Company**	Group	Company
	£'000	**£'000**	£'000	£'000
Bank overdraft	-	-	4,464	-
Other loans (note 19)	**2,932**	**2,000**	3,893	2,000
Trade creditors	**19,255**	-	28,148	-
Amounts owing to group undertakings	-	**8,655**	-	6,737
Social security and other taxes	**2,493**	-	1,329	-
Corporation tax	**2,041**	-	-	-
Other creditors	**6,831**	-	5,359	-
	33,552	**10,655**	43,193	8,737

The bank overdraft is secured by fixed and floating charges over all assets of Shoe Zone Group Limited and all subsidiary undertakings

15 Creditors: amounts falling due after more than one year

	29 September 2012		1 October 2011	
	Group	**Company**	Group	Company
	£'000	**£'000**	£'000	£'000
Other loans (note 19)	**1,000**	**1,000**	3,000	3,000
Amounts owing to group undertakings	-	**8,054**	-	8,054
Other creditors	**2,769**	-	2,225	-
	3,769	**9,054**	5,225	11,054

16 Provisions for liabilities & charges - Group

	Property	Other	Total
	£'000	**£'000**	**£'000**
At 1 October 2011	4,292	794	5,086
Charged to profit and loss account	473	512	985
Utilised in period	(1,231)	(604)	(1,835)
At 29 September 2012	**3,534**	**702**	**4,236**

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 29 September 2012 (continued)

17 Contingent liabilities

There is a guarantee in favour of the company's bankers for all and every sum owing at the date of demand given by the company and all subsidiary undertakings, supported by a charge over all the assets and undertakings of these companies At 29 September 2012 the contingent liability under this guarantee amounted to £nil (1 October 2011 4,464,000)

18 Deferred tax - Group

	29 September 2012	1 October 2011
	£'000	£'000
At beginning of the period	**1,607**	2,031
Movement during the period	**216**	(424)
At end of the period	**1,823**	1,607

	29 September 2012	1 October 2011
	£'000	£'000
The deferred tax asset is made up as follows		
Accelerated capital allowances	**1,318**	1,019
Other timing differences	**23**	-
Losses	**482**	588
Deferred tax asset	**1,823**	1,607

There were £186,000 unprovided deferred tax assets as at 29 September 2012 (1 October 2011 £362,000)

Shoe Zone Group Limited

Notes to the financial statements for the 52 weeks ended 29 September 2012 (continued)

19 Borrowings

Analysis of maturity of loans is as follows:

	29 September 2012		1 October 2011	
	Group	**Company**	Group	Company
	£'000	**£'000**	£'000	£'000
Within one year	**2,932**	**2,000**	3,893	2,000
After one year	**1,000**	**1,000**	3,000	3,000
	3,932	**3,000**	6,893	5,000

Details of borrowings are as follows:

	29 September 2012		1 October 2011	
	Group	**Company**	Group	Company
	£'000	**£'000**	£'000	£'000
Loans from directors and other connected persons (note 26)	**3,932**	**3,000**	6,893	5,000
	3,932	**3,000**	6,893	5,000

20 Share capital – Company and Group

	29 September 2012	1 October 2011
	£'000	£'000
Allotted, called up and fully paid:		
526,832 (1 October 2011 526,832) A ordinary shares of 1p each (equity)	**5**	5
58,537 (1 October 2011 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

21 Reserves

Group	Capital redemption reserve £'000	Merger reserve £'000	Profit and loss account £'000
At 1 October 2011	3	3,153	30,142
Profit for the financial period	-	-	3,239
Actuarial loss on pension scheme (note 24)	-	-	(4,649)
Movement on deferred tax relating to pension scheme (note 24)	-	-	1,034
At 29 September 2012	**3**	**3,153**	**29,766**

Company	Capital Redemption Reserve £'000	Profit and loss account £'000
At 1 October 2011	3	94
Profit for the period	-	82
At 29 September 2012	**3**	**176**

Notes to the financial statements for the 52 weeks ended 29 September 2012 (continued)

22 Commitments under operating leases - Group

	Land and buildings	Land and buildings	**Other**	Other
	29 September 2012	1 October 2011	**29 September 2012**	1 October 2011
	£'000	£'000	**£'000**	£'000
Operating leases which expire				
Within one year	**2,539**	2,516	**133**	86
In two to five years	**15,968**	15,228	**603**	646
After five years	**16,057**	17,967	**-**	-
	34,564	35,711	**736**	732

The company had no commitments under operating leases (1 October 2011 None)

23 Financial commitments - Group

At the period end foreign exchange contracts to purchase $29,600,000 with Sterling were in existence with maturity dates between 1 October 2012 and 25 November 2013 at exchange rates between 1 5796 and 1 6125 The spot rate at the period end was 1 6148

At the period end, authorised and committed capital expenditure amounted to £36,000 (1 October 2011 £241,000)

The Shoe Zone Group and subsidiary undertakings have given a guarantee in favour of HM Revenue and Customs amounting to £1,600,000 (1 October 2011 £1,000,000)

Notes to the financial statements for the 52 weeks ended 29 September 2012 (continued)

24 Pension costs - Group

The group operates a defined contribution pension scheme namely Zone Executive Pension Scheme which had contributions during the period of £150,000 (1 October 2011 £54,000)

The group operates two other 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 £504,000 (1 October 2011 £423,000)

The group also operates a pension scheme in the Republic of Ireland 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

	Shoe Zone Pension Scheme	Shoefayre Limited Pension and Life Assurance Scheme	Shoe Zone (Ireland) Pension Scheme	Total
	£'000	£'000	£'000	£'000
Net liability	(1,063)	(3,550)	(333)	(4,946)

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

Actuarial loss	(2,713)	(1,524)	(412)	(4,649)

Notes to the financial statements for the 52 weeks ended 29 September 2012 (continued)

24 Pension costs (continued)

Defined benefit scheme - Shoe Zone Pension Scheme

The figures below are based on a full actuarial valuation performed in April 2010 which was carried out by a qualified independent actuary This actuarial valuation has been updated to 29 September 2012 for the purpose of calculating the pension surplus and disclosures in the current period

Financial assumptions

	29 September 2012	1 October 2011
	%	%
Deferred pension revaluation	**2.00**	2 30
Pension increases	**2.70**	3 10
Discount rate	**4 45**	5 20
Retail Price Index	**2.70**	3 10

Post retirement mortality

	29 September 2012	1 October 2011
Life expectancy	**Years**	Years
Male currently aged 45	**90.0**	89 9
Female currently aged 45	**92 8**	92 7
Male currently aged 65	**88.1**	87 9
Female currently aged 65	**90.9**	90 7

	29 September 2012	1 October 2011
Long term expected rate of return on the scheme assets for the following period	**5.60 % pa**	6 10 % pa

Notes to the financial statements for the 52 weeks ended 29 September 2012 (continued)

24 Pensions (continued)

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	29 September 2012	1 October 2011
Equities	23%	44%
Property	8%	8%
Gilts/ bonds	47%	48%
Target Return Funds	22%	-
	100%	100%

The actual return on the Scheme's assets net of expenses over the period to the review date was a gain of £4,164,000

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 The expected returns on the Target Return Funds are equal to the fund's targets

24 Pensions (continued)

Defined benefit scheme - Shoe Zone Pension Scheme (continued)

Amounts recognised in the balance sheet at 29 September 2012

	29 September 2012	1 October 2011
	£'000	£'000
Fair value of assets	39,092	36,369
Present value of funded obligations	(40,472)	(35,408)
(Deficit)/surplus	(1,380)	961
Related deferred tax asset/(liability)	317	(240)
Net (liability)/asset	(1,063)	721

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

	29 September 2012	1 October 2011
	£'000	£'000
Actuarial loss	(2,713)	(3,074)
Total amount recognised in the statement of total recognised gains and losses	(2,713)	(3,074)

At 29 September 2012 the cumulative amount of actuarial losses taken to the statement of total recognised gains and losses was £11,404,000 (1 October 2011 £8,691,000)

Amounts recognised in the profit & loss account over the period

	29 September 2012	1 October 2011
	£'000	£'000
Interest cost	(1,804)	(1,657)
Expected return on assets	2,176	2,065
	372	408

Shoe Zone Group Limited

Notes to the financial statements for the 52 weeks ended 29 September 2012 (continued)

24 Pensions (continued)

Defined benefit scheme - Shoe Zone Pension Scheme (continued)

Reconciliation of assets and defined benefit obligation

The change in assets over the period was

	29 September 2012	1 October 2011
	£'000	£'000
Fair value of assets at the beginning of the period	36,369	52,359
Expected return on assets	2,176	2,065
Benefits paid	(1,441)	(1,286)
Purchase of buy-in policy	-	(14,395)
Actuarial gain/(loss)	1,988	(2,374)
Fair value of assets at the end of the period	39,092	36,369

The change in defined benefit obligation over the period was

	29 September 2012	1 October 2011
	£'000	£'000
Defined benefit obligation at the beginning of the period	35,408	48,732
Interest cost	1,804	1,657
Benefits paid	(1,441)	(1,286)
Purchase of buy-in policy	-	(14,395)
Actuarial loss	4,701	700
Defined benefit obligation at the end of the period	40,472	35,408

Shoe Zone Group Limited

Notes to the financial statements for the 52 weeks ended 29 September 2012 (continued)

24 Pensions (continued)

Defined benefit scheme - Shoe Zone Pension Scheme (continued)

Summary of prior period amounts

	29 September 2012 £'000	1 October 2011 £'000	1 January 2011 £'000	2 January 2010 £'000	3 January 2009 £'000
Present value of defined benefit obligation	(40,472)	(35,408)	(48,732)	(47,521)	(44,172)
Scheme assets	39,092	36,369	52,359	49,403	46,075
(Deficit)/surplus	(1,380)	961	3,627	1,882	1,903
Experience gains and losses on scheme liabilities	(4,701)	(700)	(1,060)	(3,122)	4,534
Experience adjustments on scheme assets	1,988	(2,374)	2,526	3,002	(7,462)

Shoe Zone Limited expects to make no contributions to the scheme during the following period

Defined benefit scheme - Shoefayre Limited Pension and Life Assurance Scheme

The group operates the Shoefayre Limited Pension and Life Assurance Scheme The scheme provided benefits on a defined benefit basis but was closed to future accrual on 30 June 2009

The figures below are based on a full actuarial valuation performed in March 2010 which was carried out by a qualified independent actuary This actuarial valuation has been updated to 29 September 2012 for the purposes of calculating the pension surplus and disclosures in the current period

Financial assumptions

	29 September 2012 %	1 October 2011 %
Deferred pension revaluation	**2.00**	2 30
Pension increases	**2.70**	3 10
Discount rate	**4 45**	5 20
Retail Price Index	**2.70**	3 10

Notes to the financial statements for the 52 weeks ended 29 September 2012 (continued)

24 Pensions (continued)

Defined benefit scheme - Shoefayre Lımıted Pensıon and Lıfe Assurance Scheme (contınued)

Post retırement mortalıty

	29 September 2012	1 October 2011
Lıfe expectancy	**Years**	Years
Male currently aged 45	**90.0**	89 9
Female currently aged 45	**92.8**	92 7
Male currently aged 65	**88.1**	87 9
Female currently aged 65	**90 9**	90 7

	29 September 2012	1 October 2011
Long term expected rate of return on the scheme assets for the followıng perıod	**5 80 % pa**	6 30% pa

The majοr categorıes of assets as a percentage of total assets are as follows

Asset Category	29 September 2012	1 October 2011
Equıtıes	**27%**	52%
Property	**7%**	7%
Gılts/ bonds	**39%**	39%
Cash	**-**	2%
Target Return Funds	**27%**	-
	100%	100%

24 Pensions (continued)

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

The actual return on the Scheme's assets net of expenses over the period to the review date was a gain of £3,272,000 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 29 September 2012

	29 September 2012	1 October 2011
	£'000	£'000
Fair value of assets	**25,499**	22,690
Present value of funded obligations	**(30,110)**	(26,454)
Deficit	**(4,611)**	(3,764)
Related deferred tax asset	**1,061**	941
Net liability	**(3,550)**	(2,823)

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

	29 September 2012	1 October 2011
	£'000	£'000
Actuarial loss	**(1,524)**	(3,227)
Total amount recognised in the statement of total recognised gains and losses	**(1,524)**	(3,227)

At 29 September 2012 the cumulative amount of actuarial gains and losses taken to the statement of total recognised gains and losses was a loss of £5,923,000 (1 October 2011 a loss of £4,399,000)

Notes to the financial statements for the 52 weeks ended 29 September 2012 (continued)

24 Pensions (continued)

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

Amounts recognised in the profit & loss account over the period

	29 September 2012	1 October 2011
	£'000	£'000
Interest cost	(1,348)	(1,125)
Expected return on assets	1,425	1,274
	77	149

Reconciliation of assets and defined benefit obligation

The change in assets over the period was

	29 September 2012	1 October 2011
	£'000	£'000
Fair value of assets at the beginning of the period	22,690	28,404
Expected return on assets	1,425	1,274
Employer contributions	600	450
Benefits paid	(1,063)	(825)
Purchase of buy-in policy	-	(4,449)
Actuarial gain/(loss) on assets	1,847	(2,164)
Fair value of assets at the end of the period	25,499	22,690

Notes to the financial statements for the 52 weeks ended 29 September 2012 (continued)

24 Pensions (continued)

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

The change in defined benefit obligation over the period was

	29 September 2012	1 October 2011
	£'000	£'000
Defined benefit obligation at the beginning of the period	26,454	29,540
Interest cost	1,348	1,125
Benefits paid	(1,063)	(825)
Purchase of buy-in policy	-	(4,449)
Actuarial loss	3,371	1,063
Defined benefit obligation at the end of the period	30,110	26,454

Summary of prior period amounts

	29 September 2012	1 October 2011	1 January 2011	2 January 2010	3 January 2009
	£'000	£'000	£'000	£'000	£'000
Present value of defined benefit obligation	(30,110)	(26,454)	(29,540)	(29,845)	(23,412)
Scheme assets	25,499	22,690	28,404	26,388	24,525
(Deficit)/surplus	(4,611)	(3,764)	(1,136)	(3,457)	1,113
Experience gains and losses on scheme liabilities	(3,371)	(1,063)	757	(6,930)	8,066
Experience adjustments on scheme assets	1,847	(2,164)	1,351	2,207	(5,950)

Contributions of £600,000 are expected to be made during the year ended 28 September 2013 by Shoe Zone Limited

Shoe Zone Group Limited

Notes to the financial statements for the 52 weeks ended 29 September 2012 (continued)

25 Notes to the cash flow statement

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

	29 September 2012	1 October 2011
	£'000	£'000
Operating profit/(loss)	**5,063**	(8,140)
Depreciation charges	**8,755**	5,544
(Profit)/loss on disposal	**(179)**	139
Cash contribution to defined benefit schemes	**(630)**	(444)
Movement in provisions	**(850)**	1,039
Decrease/(increase) in stocks	**6,613**	(8,720)
Decrease in debtors	**946**	544
(Decrease)/increase in creditors	**(5,480)**	8,907
Net cash inflow/(outflow) from operating activities	**14,238**	(1,131)

Notes to the financial statements for the 52 weeks ended 29 September 2012 (continued)

25 Notes to the cash flow statement (continued)

b) Analysis of net debt

	At 1 October 2011	Cash flow	Non-cash changes	At 29 September 2012
	£'000	£'000	£'000	**£'000**
Cash at bank and in hand	934	7,751	-	**8,685**
Less Deposits treated as liquid resources	-	(2,001)	-	**(2,001)**
Bank overdrafts	(4,464)	4,464	-	-
	(3,530)	10,214	-	**6,684**
Liquid resources				
Deposits included within cash	-	2,001	-	**2,001**
	(3,530)	12,215	-	**8,685**
Debt due within one year	(3,893)	2,961	(2,000)	**(2,932)**
Debt due after one year	(3,000)	-	2,000	**(1,000)**
	(10,423)	15,176	-	**4,753**

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

	29 September 2012	1 October 2011
	£'000	£'000
Decrease in cash in the period	**12,215**	(10,286)
Cash inflow from movement in debt financing	**2,961**	1,364
Change in debt arising from cash flows	**15,176**	(8,922)
Opening net debt at 1 October 2011	**(10,423)**	(1,501)
Closing net debt at 29 September 2012	**4,753**	(10,423)

26 Related party transactions

The company has loans from the directors MJ Smith, AEP Smith, JCP Smith and members of their family (note 19) During the period, interest of £118,000 (1 October 2011 £39,000) 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 £32,000 (1 October 2011 £19,000) at commercially appropriate interest rates on unsecured loans made by these parties (note 19)

During the period rent of £69,000 (1 October 2011 £40,000) was paid on two properties leased by Shoe Zone Limited to a pension scheme where MJ Smith is a beneficiary The balance due to the scheme at the period end amounted to £nil (1 October 2011 £nil)

During the period Shoe Zone Limited has committed and provided for £100,000 (1 October 2011 £nil) to be paid to the Shoe Zone Trust, of which MJ Smith, AEP Smith and JCP Smith are trustees

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

27 Post balance sheet events

The group carried out significant restructuring during October to December 2012 whereby two subsidiary companies, Tyler Limited and Shoefayre Limited, have been placed into liquidation This will have an effect of reducing the net assets of the group by £2,938,000

In addition 122 stores have been closed as a result of the restructuring which has resulted in post year end costs being incurred of £988,000

28 Controlling party

There is no individual ultimate controlling party The company is controlled by the directors