Registered Number 5570073

# Shoe Zone Group Limited

## Financial statements

## for the 52 weeks ended 2 January 2010

# Shoe Zone Group Limited

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# 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

**Auditors**

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

**Principal Bankers**

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

**Solicitors**

Harvey Ingram LLP
20 New Walk
Leicester
LE1 6TX

# Shoe Zone Group Limited

## Directors' report for the 52 weeks ended 2 January 2010

The directors present the annual report and audited financial statements of the company and the group for the 52 weeks ended 2 January 2010

### 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 on a successful period for the group with a profit before tax of £15 3m (3 January 2009 £8 1m)

The group has net assets of £34 8m at 2 January 2010 (3 January 2009 £25 6m)

### Future outlook

Trade in the current period has been consistent with our budgetary expectations in both Shoe Zone and Stead & Simpson The economic climate remains difficult and there is growing political uncertainty which could further impact the retail market Despite this we are optimistic that the businesses will progress as we invest capital in refitting stores and continue to innovate our retail offering Our continuing ability to deliver high volumes of quality shoes means that we are benefiting from better commercial terms than all of our main competitors, allowing us to price competitively while maintaining our margins

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 accounts 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 £48,000 (3 January 2009 £33,000) during the period, which was allocated to various charities The group made a charitable donation of £70,000 to the Shoe Zone Trust (3 January 2009 £nil) and has committed a further £150,000 to be paid in 2010 The Shoe Zone Trust (an independent charitable trust) allocated £75,000 (3 January 2009 £77,000) to various charities including two children's educational projects in the Philippines, 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 net)

### 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 warehouse 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 2 January 2010 were

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

## Shoe Zone Group Limited

## Directors' report for the 52 weeks ended 2 January 2010 (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 auditors**

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 auditors are 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 auditors in connection with preparing their report and to establish that the company's auditors are aware of that information

By order of the board

K R Phillips
Secretary
Date 30 April 2010

# Independent auditors' report to the members of Shoe Zone Group Limited

We have audited the financial statements of Shoe Zone Group Limited for the period ended 2 January 2010 which comprise the group profit and loss account, the group statement of total recognised gains and losses , the group reconciliation of movements in shareholders' funds, the group and parent company balance sheets, the group 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 auditors' 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 auditors**

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 Board's Ethical Standards for Auditors

**Scope of the audit**

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

**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 2 January 2010 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 auditors' 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 auditors
Leicester
Date 30 April 2010

## Shoe Zone Group Limited

# Consolidated profit and loss account for the 52 weeks ended 2 January 2010

| | Note | **52 weeks ended 2 January 2010** | 53 weeks ended 3 January 2009 |
|---|---|---|---|
| | | **£'000** | £'000 |
| **Turnover** | 2 | **246,422** | 237,646 |
| Cost of sales | | **(212,769)** | (209,734) |
| **Gross profit** | | **33,653** | 27,912 |
| Distribution costs | | **(7,306)** | (8,307) |
| Administration expenses | | **(10,998)** | (11,928) |
| **Operating profit** | 3 | **15,349** | 7,677 |
| Net interest payable | 7 | **(172)** | (490) |
| Other finance income | 8 | **168** | 950 |
| **Profit on ordinary activities before taxation** | 2 | **15,345** | 8,137 |
| Taxation on profit on ordinary activities | 9 | **(3,345)** | (1,642) |
| **Profit on ordinary activities after taxation** | | **12,000** | 6,495 |

All amounts relate to continuing activities

There is no 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

## Statement of group total recognised gains and losses for the 52 weeks ended 2 January 2010

| | 52 weeks ended 2 January 2010 | 53 weeks ended 3 January 2009 |
|---|---|---|
| | £'000 | £'000 |
| **Profit for the financial period** | **12,000** | 6,495 |
| Actuarial loss on pension schemes (note 23) | **(3,847)** | (2,110) |
| Movement on deferred tax relating to pension scheme | **1,077** | 613 |
| **Total recognised gains and losses relating to the period** | **9,230** | 4,998 |

## Reconciliation of movements in group shareholders' funds for the 52 weeks ended 2 January 2010

| | 52 weeks ended 2 January 2010 | 53 weeks ended 3 January 2009 |
|---|---|---|
| | £'000 | £'000 |
| **Profit for the financial period** | **12,000** | 6,495 |
| Actuarial loss on pension schemes (note 23) | **(3,847)** | (2,110) |
| Movement on deferred tax relating to pension asset | **1,077** | 613 |
| | **9,230** | 4,998 |
| Purchase of own shares | - | (10,075) |
| **Net movement to shareholders' funds** | **9,230** | (5,077) |
| Opening shareholders' funds | **25,618** | 30,695 |
| **Closing shareholders' funds** | **34,848** | 25,618 |

# Shoe Zone Group Limited

## Consolidated balance sheet as at 2 January 2010

| | Notes | 2 January 2010 | As restated 3 January 2009 |
|---|---|---|---|
| | | **£'000** | £'000 |
| **Fixed assets** | | | |
| Negative goodwill | 10 | **-** | (3,972) |
| Tangible assets | 11 | **32,639** | 29,594 |
| | | **32,639** | 25,622 |
| **Current assets** | | | |
| Stocks | 13 | **29,279** | 30,636 |
| Debtors | 14 | **15,446** | 16,369 |
| Bank and cash | | **8,731** | 1,833 |
| | | **53,456** | 48,838 |
| **Creditors:** amounts falling due within one year | 15 | **(38,852)** | (39,578) |
| **Net current assets** | | **14,604** | 9,260 |
| Total assets less current liabilities | | **47,243** | 34,882 |
| **Creditors:** amounts falling due after one year | 16 | **(7,000)** | (7,000) |
| Provisions for liabilities and charges | 17 | **(4,263)** | (3,636) |
| **Net assets excluding pension (liability)/asset** | | **35,980** | 24,246 |
| Pension (liability)/asset | 23 | **(1,132)** | 1,372 |
| **Net assets including pension (liability)/asset** | | **34,848** | 25,618 |
| **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 | **31,686** | 22,456 |
| **Total shareholders' funds** | | **34,848** | 25,618 |

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

M.J. Smith

M J Smith
Director
Date 30 April 2010

# Shoe Zone Group Limited

## Company balance sheet as at 2 January 2010

| | Notes | 2 January 2010 | 3 January 2009 |
|---|---|---|---|
| | | **£'000** | £'000 |
| **Fixed assets** | | | |
| Investments | 12 | **10,970** | 10,970 |
| **Current assets** | | | |
| Debtors | 14 | **3,205** | 4,414 |
| **Creditors:** amounts falling due within one year | 15 | **(7,272)** | (8,297) |
| **Net current liabilities** | | **(4,067)** | (3,883) |
| Total asset less current liabilities | | **6,903** | 7,087 |
| **Creditors:** amounts falling due after one year | 16 | **(7,000)** | (7,000) |
| **Net (liabilities)/assets** | | **(97)** | 87 |
| **Capital and reserves** | | | |
| Called up share capital | 19 | **6** | 6 |
| Capital redemption reserve | 20 | **3** | 3 |
| Profit and loss account | 20 | **(106)** | 78 |
| **Total shareholders' funds** | | **(97)** | 87 |

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

M J Smith

M J Smith
Director
Date 30 April 2010

# Shoe Zone Group Limited

## Consolidated cash flow statement for the 52 weeks ended 2 January 2010

| | 52 weeks ended 2 January 2010 | 52 weeks ended 2 January 2010 | 53 weeks ended 3 January 2009 | 53 weeks ended 3 January 2009 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| **Net cash inflow from operating activities** | | 17,133 | | 3,672 |
| **Returns on investment and servicing of finance** | | | | |
| Interest received | 30 | | 164 | |
| Interest paid | (220) | | (675) | |
| **Net cash outflow from returns on investment and servicing of finance** | | (190) | | (511) |
| **Taxation received/(paid)** | | 98 | | (748) |
| **Capital expenditure and financial investment** | | | | |
| Purchase of tangible fixed assets | (8,729) | | (9,887) | |
| Sale of tangible fixed assets | 690 | | 1,791 | |
| **Net cash outflow for capital expenditure and financial investment** | | (8,039) | | (8,096) |
| **Net cash inflow/(outflow) before financing** | | 9,002 | | (5,683) |
| **Financing** | | | | |
| Re-purchase of share capital | - | | (10,074) | |
| Re-purchase of preference share capital | (53) | | (53) | |
| Repayment of unsecured loans | (2,018) | | (2,310) | |
| Additional unsecured loans | 1,480 | | 11,262 | |
| **Net cash outflow from financing** | | (591) | | (1,175) |
| **Increase/(decrease) in net cash** | | 8,411 | | (6,858) |

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

# Notes to the financial statements for the 52 weeks ended 2 January 2010

## 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 2 January 2010 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 2 January 2010 was a loss of £0 2m (53 weeks ended 3 January 2009 a profit of £9 3m)

**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

# Notes to the financial statements for the 52 weeks ended 2 January 2010 (continued)

## 1 Accounting policies (continued)

**Leasehold improvements, fixtures and fittings and motor vehicles**

Leasehold improvements and fixtures and fittings are depreciated over 4 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 finances

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 increase in the present value of the liabilities of the group's defined benefit pension schemes expected to arise from employee service in the period is charged to operating profit 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

**Finance costs for non-equity shares**

In accordance with FRS 4 Capital Instruments ("FRS 4"), finance costs of non-equity shares, including dividends and premium on redemption, are charged in the profit and loss account as an interest expense

**Negative goodwill**

Negative goodwill is amortised over 2 years on a straight line basis

### 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 2 January 2010** | Turnover 53 weeks ended 3 January 2009 |
|---|---|---|
| | **£'000** | £'000 |
| United Kingdom | **236,436** | 226,990 |
| Republic of Ireland | **9,986** | 10,656 |
| | **246,422** | 237,646 |

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

### 3 Operating profit

| | **52 weeks ended 2 January 2010** | 53 weeks ended 3 January 2009 |
|---|---|---|
| | **£'000** | £'000 |
| Operating profit is stated after charging/(crediting) | | |
| Depreciation on owned assets | **5,445** | 4,758 |
| Amortisation of goodwill | **(3,942)** | (4,835) |
| Loss on disposal of fixed assets | **20** | 253 |
| Operating lease rentals | | |
| Plant and machinery | **946** | 700 |
| Land and buildings | **37,591** | 38,710 |
| Foreign exchange (gains)/losses | **(68)** | 363 |

# Notes to the financial statements for the 52 weeks ended 2 January 2010 (continued)

## 4 Auditors remuneration

| | 52 weeks ended 2 January 2010 | 53 weeks ended 3 January 2009 |
|---|---|---|
| | £'000 | £'000 |
| Fees payable to the company's auditor and its associate in respect of | | |
| The audit of the parent company | 5 | 5 |
| The audit of the company's subsidiaries | 49 | 54 |
| | 54 | 59 |

## 5 Employees

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

| | 52 weeks ended 2 January 2010 | 53 weeks ended 3 January 2009 |
|---|---|---|
| | No. | No |
| Sales and distribution | 5,723 | 6,193 |
| Administration | 193 | 213 |
| | 5,916 | 6,406 |

Staff costs, including directors, consist of

| | | |
|---|---|---|
| | £'000 | £'000 |
| Wages and salaries | 49,111 | 56,492 |
| Social security costs | 2,995 | 3,336 |
| Pension costs (note 23) | 682 | 1,493 |
| | 52,788 | 61,321 |

# Notes to the financial statements for the 52 weeks ended 2 January 2010 (continued)

## 6 Directors' emoluments

| | 52 weeks ended 2 January 2010 | 53 weeks ended 3 January 2009 |
|---|---|---|
| | **£'000** | £'000 |
| Remuneration for management services | **2,000** | 1,046 |
| Contributions to defined contributions schemes | **234** | 245 |
| | **2,234** | 1,291 |

The highest paid director received remuneration for management services of £747,000 (3 January 2009 £396,000) and contributions to a defined contribution scheme of £116,000 (3 January 2009 £116,000)

No directors are accruing benefits under defined benefit pension schemes (3 January 2009 none)

The directors are members of the following group pension schemes

| | 52 weeks ended 2 January 2010 | 53 weeks ended 3 January 2009 |
|---|---|---|
| | **No.** | No |
| Defined contribution scheme | **5** | 5 |

## 7 Net interest payable

| | 52 weeks ended 2 January 2010 | 53 weeks ended 3 January 2009 |
|---|---|---|
| | **£'000** | £'000 |
| Bank loans and overdraft | **(22)** | (58) |
| Other loans | **(180)** | (567) |
| Other interest payable | - | (22) |
| Preference shares dividends paid and redemption premiums | - | (7) |
| | **(202)** | (654) |
| Interest receivable | **30** | 164 |
| | **(172)** | (490) |

# Shoe Zone Group Limited

## Notes to the financial statements for the 52 weeks ended 2 January 2010 (continued)

### 8 Other finance income

| | **52 weeks ended 2 January 2010** | 53 weeks ended 3 January 2009 |
|---|---|---|
| | **£'000** | £'000 |
| Interest cost | **(4,079)** | (4,569) |
| Expected return on assets | **4,247** | 5,519 |
| | **168** | 950 |

### 9 Taxation

| | **52 weeks ended 2 January 2010** | 53 weeks ended 3 January 2009 |
|---|---|---|
| | **£'000** | £'000 |
| United Kingdom tax | | |
| Corporation tax at 28% (3 January 2009 28%) | **2,493** | - |
| Adjustment to corporation tax in respect of prior periods | **(104)** | - |
| Total current tax charge | **2,389** | - |
| UK deferred tax | | |
| Deferred tax – current period | **1,155** | 1,402 |
| Deferred tax – prior period | **(199)** | 240 |
| Total deferred tax charge (note 17) | **956** | 1,642 |
| Tax charge on profit on ordinary activities | **3,345** | 1,642 |

# Notes to the financial statements for the 52 weeks ended 2 January 2010 (continued)

## 9 Taxation (continued)

The tax for the period is lower than (3 January 2009 lower than) the standard rate of corporation tax in the UK 28% (3 January 2009 28%) The differences are explained below

| | **52 weeks ended 2 January 2010** | 53 weeks ended 3 January 2009 |
|---|---|---|
| | **£'000** | £'000 |
| Profit on ordinary activities before tax | **15,345** | 8,137 |
| Profit on ordinary activities multiplied by the actual rate in the UK 28% (3 January 2009 28%) | **4,297** | 2,319 |
| Effects of | | |
| Expenses not deductible for tax purposes | **41** | 86 |
| Capital allowances for the period in excess of depreciation | **459** | 330 |
| Negative goodwill | **(1,112)** | (1,354) |
| Accelerated capital allowances and other timing differences not recognised | **(1,051)** | (1,381) |
| Chargeable gains | **82** | - |
| Utilisation of losses not recognised | **(115)** | - |
| Adjustments to tax charge in respect of previous period | **(108)** | - |
| | **2,493** | - |

# Notes to the financial statements for the 52 weeks ended 2 January 2010 (continued)

## 10 Negative goodwill

| | 52 weeks ended 2 January 2010 |
|---|---|
| | **£'000** |
| **Cost** | |
| **At 2 January 2010 and 3 January 2009** | **9,526** |
| **Amortisation** | |
| At 3 January 2009 | 5,554 |
| Credit for the period | 3,972 |
| **At 2 January 2010** | **9,526** |
| **Net book value** | |
| **At 2 January 2010** | **-** |
| At 3 January 2009 | 3,972 |

The negative goodwill arises as a result of the acquisition of the entire share capital of Shoefayre Limited in 2007 Negative goodwill is amortised on a straight line basis

## Shoe Zone Group Limited

## Notes to the financial statements for the 52 weeks ended 2 January 2010 (continued)

### 11 Tangible fixed assets - Group

| | Freehold properties | Long leasehold properties | Leasehold improve-ments | Motor vehicles | Fixtures and fittings | Total fixed assets |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Cost** | | | | | | |
| At 3 January 2009 | 9,459 | 962 | 9,062 | 56 | 25,527 | 45,066 |
| Additions | 1,152 | - | 3,462 | - | 4,502 | 9,116 |
| Disposals | (381) | - | (423) | (4) | (2,428) | (3,236) |
| **At 2 January 2010** | **10,230** | **962** | **12,101** | **52** | **27,601** | **50,946** |
| **Depreciation** | | | | | | |
| At 3 January 2009 | 530 | 71 | 3,523 | 20 | 11,328 | 15,472 |
| Charge for the period | - | 6 | 1,219 | 7 | 4,213 | 5,445 |
| Disposals | - | - | (363) | (2) | (2,245) | (2,610) |
| **At 2 January 2010** | **530** | **77** | **4,379** | **25** | **13,296** | **18,307** |
| **Net book value** | | | | | | |
| **At 2 January 2010** | **9,700** | **885** | **7,722** | **27** | **14,305** | **32,639** |
| At 3 January 2009 | 8,929 | 891 | 5,539 | 36 | 14,199 | 29,594 |

The company has no tangible fixed assets

## 12 Fixed asset investments - Company

| | Shares in subsidiary undertakings |
|---|---|
| | £'000 |
| **Cost** | |
| At 2 January 2010 and 3 January 2009 | **10,970** |

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% | - |
| Shoe Zone (Ireland) Limited | Footwear retailer | Ordinary | - | 100% |
| Castle Acres Development Limited | Property owner | Ordinary | 100% | - |
| Zone Property Limited | Property owner | Ordinary | 100% | - |
| Tyler Limited | Footwear retailer | Ordinary | 100% | - |

## 13 Stocks - Group

| | **2 January 2010** | 3 January 2009 |
|---|---|---|
| | **Group** | Group |
| | **£'000** | £'000 |
| Goods for resale | **28,967** | 30,425 |
| Shop-fitting materials and other consumables | **312** | 211 |
| | **29,279** | 30,636 |

The company has no stocks

## 14 Debtors

| | 2 January 2010 | | 3 January 2009 | |
|---|---|---|---|---|
| | **Group** | **Company** | Group | Company |
| | **£'000** | **£'000** | £'000 | £'000 |
| Trade debtors | **1,053** | - | 1,072 | - |
| Other debtors | **583** | - | 613 | - |
| Prepayments and accrued income | **12,152** | - | 12,127 | - |
| Deferred taxation (note 17) | **1,658** | - | 2,557 | - |
| Amount owed by group undertaking | - | **3,205** | - | 4,414 |
| | **15,446** | **3,205** | 16,369 | 4,414 |

## 15 Creditors: amounts falling due within one year

| | 2 January 2010 | | 3 January 2009 | |
|---|---|---|---|---|
| | | | As restated | |
| | **Group** | **Company** | Group | Company |
| | **£'000** | **£'000** | £'000 | £'000 |
| Bank overdraft | - | - | 1,513 | - |
| Other loans (note 18) | **3,258** | **2,000** | 3,795 | 3,000 |
| Trade creditors | **19,159** | - | 22,366 | - |
| Amounts owing to group undertakings | - | **5,272** | - | 5,274 |
| Other creditors | **238** | - | 248 | - |
| Social security and other taxes | **3,708** | - | 3,454 | - |
| Corporation tax | **2,451** | - | 13 | - |
| Preference share capital and premium | - | - | 28 | - |
| Preference share redemption reserve | - | - | 23 | 23 |
| Accruals and deferred income | **10,038** | - | 8,138 | - |
| | **38,852** | **7,272** | 39,578 | 8,297 |

The bank overdraft is secured by way of a floating charge on the assets of the business

# Notes to the financial statements for the 52 weeks ended 2 January 2010 (continued)

## 16 Creditors: amounts falling due after more than one year

| | 2 January 2010 | | 3 January 2009 | |
|---|---|---|---|---|
| | **Group** | **Company** | Group | Company |
| | **£'000** | **£'000** | £'000 | £'000 |
| Other loans (note 18) | **7,000** | **7,000** | 7,000 | 7,000 |
| | **7,000** | **7,000** | 7,000 | 7,000 |

## 17 Provisions for liabilities & charges - Group

| | **Property** | **Other** | **Total** |
|---|---|---|---|
| | **£'000** | **£'000** | **£'000** |
| As previously reported | 4,389 | 804 | 5,193 |
| Prior period adjustment | (1,557) | - | (1,557) |
| Restated at 3 January 2009 | 2,832 | 804 | 3,636 |
| Charged to profit and loss account | 2,116 | 452 | 2,568 |
| Utilised in period | (1,335) | (606) | (1,941) |
| **At 2 January 2010** | **3,613** | **650** | **4,263** |

The company previously disclosed lease incentive amounts in provisions These are now disclosed as accruals within creditors amounts falling due within one year, as the directors consider that this presentation better reflects the substance of the liability The comparatives have been restated accordingly

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

## Shoe Zone Group Limited

# Notes to the financial statements for the 52 weeks ended 2 January 2010 (continued)

### 17 Provisions for liabilities & charges (continued)

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

**Deferred tax**

| | **2 January 2010** | **3 January 2009** |
|---|---|---|
| | **£'000** | £'000 |
| At beginning of the period | **2,557** | 3,709 |
| Movement during the period | **(899)** | 1,152 |
| At end of the period | **1,658** | 2,557 |

| | **2 January 2010** | 3 January 2009 |
|---|---|---|
| | **£'000** | £'000 |
| Accelerated capital allowances | **1,621** | 2,204 |
| Other timing differences | **37** | (100) |
| Losses | - | 453 |
| **Deferred tax asset** | **1,658** | 2,557 |

The unprovided amounts, which represent a deferred tax asset, amount to £741,000 (3 January 2009 £868,000) and relate to interest losses

The company has no provisions for liabilities and charges

## Shoe Zone Group Limited

## Notes to the financial statements for the 52 weeks ended 2 January 2010 (continued)

### 18 Borrowings

**Analysis of maturity of loans is as follows.**

| | 2 January 2010 | | 3 January 2009 | |
|---|---|---|---|---|
| | Group | Company | Group | Company |
| | £'000 | £'000 | £'000 | £'000 |
| Within one year | 3,258 | 2,000 | 3,795 | 3,000 |
| After one year | 7,000 | 7,000 | 7,000 | 7,000 |
| | 10,258 | 9,000 | 10,795 | 10,000 |

**Details of borrowings are as follows:**

| | 2 January 2010 | | 3 January 2009 | |
|---|---|---|---|---|
| | Group | Company | Group | Company |
| | £'000 | £'000 | £'000 | £'000 |
| Loans from directors and other connected persons (note 25) | 10,258 | 9,000 | 10,795 | 10,000 |
| | 10,258 | 9,000 | 10,795 | 10,000 |

## 19 Share capital – Company and Group

| | 2 January 2010 | 3 January 2009 |
|---|---|---|
| | **£'000** | £'000 |
| **Allotted, called up and fully paid:** | | |
| 526,832 (3 January 2009 526,832) A ordinary shares of 1p each (equity) | **5** | 5 |
| 58,537 (3 January 2009 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 3 January 2009 | 3 | 3,153 | 22,456 |
| Profit for the financial period | - | - | 12,000 |
| Actuarial loss on pension scheme (note 23) | - | - | (3,847) |
| Movement on deferred tax relating to pension scheme (note 23) | - | - | 1,077 |
| **At 2 January 2010** | **3** | **3,153** | **31,686** |

# Notes to the financial statements for the 52 weeks ended 2 January 2010 (continued)

## 20 Reserves (continued)

| | Capital Redemption Reserve | Profit and loss account |
|---|---|---|
| | £'000 | £'000 |
| **Company** | | |
| At 3 January 2009 | 3 | 78 |
| Loss for the period | - | (184) |
| **At 2 January 2010** | **3** | **(106)** |

## 21 Commitments under operating leases - Group

| | **Land and buildings** | Land and buildings | **Other** | Other |
|---|---|---|---|---|
| | **2 January 2010** | 3 January 2009 | **2 January 2010** | 3 January 2009 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Operating leases which expire | | | | |
| Within one year | **2,464** | 2,874 | **145** | 32 |
| In two to five years | **11,640** | 8,699 | **650** | 587 |
| After five years | **22,699** | 25,992 | **-** | - |
| | **36,803** | 37,565 | **795** | 619 |

## 22 Financial commitments - Group

At the period end foreign exchange contracts to purchase $6,500,000 with Sterling were in existence with maturity dates between 11 January 2010 and 20 May 2010 at exchange rates between 1 6210 and 1 6811 The spot rate at the period end was 1 6166

At the period end, authorised and committed capital expenditure amounted to £113,000 (3 January 2009 £37,000)

A subsidiary undertaking has given a guarantee amounting to £800,000 in favour of HM Revenue and Customs (3 January 2009 £600,000)

# Notes to the financial statements for the 52 weeks ended 2 January 2010 (continued)

## 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 £393,000 (to 3 January 2009 £388,000)

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 contributions amounting to £209,000 (3 January 2009 £221,000)

| | Shoe Zone Pension Scheme | Shoefayre Limited Pension and Life Assurance Scheme | Shoe Zone (Ireland) Pension Scheme | Total |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Equities | 18,896 | 13,241 | 592 | 32,729 |
| Gilts/bonds | 27,893 | 11,584 | 555 | 40,032 |
| Property | 2,482 | - | - | 2,482 |
| Cash | 132 | 1,563 | 58 | 1,753 |
| Value of annuity contracts | - | - | 121 | 121 |
| Present value of assets | 49,403 | 26,388 | 1,326 | 77,117 |
| Present value of funded obligations | (47,521) | (29,845) | (1,323) | (78,689) |
| Surplus/(deficit) | 1,882 | (3,457) | 3 | (1,572) |
| Related deferred tax liability | (527) | 968 | (1) | (440) |
| Net asset/(liability) | 1,355 | (2,489) | 2 | (1,132) |
| **Amounts recognised in the statement of total recognised gains and losses (STRGL)** | | | | |
| Actuarial loss | (120) | (3,610) | (117) | (3,847) |

## 23 Pension costs (continued)

**UK defined benefit scheme - Shoe Zone Pension Scheme**

**Financial assumptions**

| | 2 January 2010 | 3 January 2009 |
|---|---|---|
| | % | % |
| Deferred pension revaluation | 3.5 | 2 7 |
| Pension increases | 3.5 | 2 7 |
| Discount rate | 5.9 | 6 2 |
| Retail Price Index | 3.5 | 2 7 |

**Assumed future life expectancy at age 65**

| Life expectancy at age 65 | 2 January 2010 | 3 January 2009 |
|---|---|---|
| Male currently aged 45 | 88 1 | 88 1 |
| Female currently aged 45 | 90.9 | 90 9 |
| Male currently aged 65 | 87.0 | 87 0 |
| Female currently aged 65 | 89.9 | 89 9 |

| | 2 January 2010 | 3 January 2009 |
|---|---|---|
| Long term expected rate of return on the scheme assets for the following year | 6.20 % pa | 6 11 % pa |

## 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 | 2 January 2010 | 3 January 2009 |
|---|---|---|
| Equities | **38%** | 33% |
| Property | **5%** | 0% |
| Gilts/ bonds | **56%** | 69% |
| Cash | **1%** | (2%) |
| | **100%** | 100% |

The actual return in the scheme assets net of investment expenses over the period to the review date was 13%

The assets do not include any investments in shares of Shoe Zone Limited or property investment that is occupied by 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 2 January 2010**

| | 2 January 2010 | 3 January 2009 |
|---|---|---|
| | **£'000** | £'000 |
| Fair value of assets | **49,403** | 46,075 |
| Present value of funded obligations | **(47,521)** | (44,172) |
| Surplus | **1,882** | 1,903 |
| Related deferred tax liability | **(527)** | (533) |
| Net asset | **1,355** | 1,370 |

### 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)**

| | **2 January 2010** | 3 January 2009 |
|---|---|---|
| | **£'000** | £'000 |
| Actuarial loss | **(120)** | (2,928) |
| **Total amount recognised in the statement of total recognised gains and losses** | **(120)** | (2,928) |

At 2 January 2010 the cumulative amount of actuarial losses taken to the statement of total recognised gains and losses was £7,083,000 (3 January 2009 £6,963,000)

**Amounts recognised in the profit and loss account over the year**

| | **2 January 2010** | 3 January 2009 |
|---|---|---|
| | **£'000** | £'000 |
| Interest cost | **2,642** | 2,807 |
| Expected return on assets | **(2,741)** | (3,585) |
| Losses on settlements or curtailments | **-** | 420 |
| | **(99)** | (358) |

# Shoe Zone Group Limited

# Notes to the financial statements for the 52 weeks ended 2 January 2010 (continued)

## 23 Pension costs (continued)

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

**Reconciliation of assets and defined benefit obligation**

The change in assets over the period was

| | 3 January 2009 | 3 January 2009 |
|---|---|---|
| | £'000 | £'000 |
| Fair value of assets at the beginning of the period | 46,075 | 57,152 |
| Expected return on assets | 2,741 | 3,585 |
| Employer contributions | - | 127 |
| Benefits paid | (2,415) | (2,530) |
| Actuarial gain/(loss) | 3,002 | (7,462) |
| Change due to settlements and curtailments | - | (4,797) |
| Fair value of assets at the end of the period | 49,403 | 46,075 |

The change in defined benefit obligation over the period was

| | 2 January 2010 | 3 January 2009 |
|---|---|---|
| | £'000 | £'000 |
| Defined benefit obligation at the beginning of the period | 44,172 | 52,806 |
| Interest cost | 2,642 | 2,807 |
| Benefits paid | (2,415) | (2,530) |
| Actuarial loss/(gain) | 3,122 | (4,534) |
| Change due to settlements or curtailments | - | (4,377) |
| Defined benefit obligation at the end of the period | 47,521 | 44,172 |

# Shoe Zone Group Limited

# Notes to the financial statements for the 52 weeks ended 2 January 2010 (continued)

## 23 Pension costs (continued)

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

**Summary of prior year amounts**

| | 2 January 2010 | 3 January 2009 | 29 December 2007 | 30 December 2006 | 1 January 2006 |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Present value of defined benefit obligation | (47,521) | (44,172) | (52,806) | (55,605) | (53,936) |
| Scheme assets | 49,403 | 46,075 | 57,152 | 56,318 | 54,903 |
| Surplus/ (deficit) | 1,882 | 1,903 | 4,346 | 713 | 967 |
| Experience gains and losses on scheme liabilities | 3,122 | (4,534) | 3,338 | (1,690) | (4,116) |
| Experience adjustments on scheme assets | 3,002 | (7,462) | (661) | 422 | 4,964 |

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

**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 2 January 2010 for the purposes of calculating the current period pension surplus and disclosures in the current period

**Financial assumptions**

| | **2 January 2010** | 3 January 2009 |
|---|---|---|
| Deferred pension revaluation | **3 5%** | 2 7% |
| Pension increases | **3.5%** | 2 7% |
| Discount rate | **5.9%** | 6 2% |
| Retail Price Index | **3.5%** | 2 7% |

# Notes to the financial statements for the 52 weeks ended 2 January 2010 (continued)

## 23 Pension costs (continued)

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

**Assumed future life expectancy at age 65**

| **Life expectancy at age 65** | **2 January 2010** | 3 January 2009 |
|---|---|---|
| Male currently aged 45 | **88.1** | 88 1 |
| Female currently aged 45 | **90.9** | 90 9 |
| Male currently aged 65 | **87.0** | 87 0 |
| Female currently aged 65 | **89.9** | 89 9 |

| | **2 January 2010** | 3 January 2009 |
|---|---|---|
| Long term expected rate of return on the scheme asset for the following year | **6.10% pa** | 6 16% pa |

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

| **Asset category** | **2 January 2010** | 3 January 2009 |
|---|---|---|
| Equities | **50%** | 47% |
| Gilts/bonds | **44%** | 51% |
| Cash | **6%** | 2% |
| | **100%** | 100% |

The actual return in the scheme assets net of expenses over the period to the review date, compared to the expected return, was a gain of £2,207,000

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

## 23 Pension costs (continued)

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

**Amounts recognised in the balance sheet at 2 January 2010**

| | 2 January 2010 | 3 January 2009 |
|---|---|---|
| | £'000 | £'000 |
| Fair value of assets | **26,388** | 24,525 |
| Present value of funded obligations | **(29,845)** | (23,412) |
| (Deficit)/surplus | **(3,457)** | 1,113 |
| Unrecognised pension asset | - | (1,113) |
| Related deferred tax asset | **968** | - |
| Net liability | **(2,489)** | - |

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

| | 2 January 2010 | 3 January 2009 |
|---|---|---|
| | £'000 | £'000 |
| Actuarial (loss)/gain | **(4,723)** | 2,116 |
| Effect of limit on unrecognisable surplus | **1,113** | (1,113) |
| **Total amount recognised in the statement of total recognised gains and losses** | **(3,610)** | 1,003 |

At 2 January 2010 the cumulative amount of actuarial gains and losses taken to the statement of total recognised gains and losses was a loss of £3,280,000 (3 January 2009 a gain of £330,000)

# Notes to the financial statements for the 52 weeks ended 2 January 2010 (continued)

## 23 Pension costs (continued)

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

**Amounts recognised in the profit and loss account over the period**

| | 2 January 2010 | 3 January 2009 |
|---|---|---|
| | £'000 | £'000 |
| Current service cost | 24 | 176 |
| Interest cost | 1,382 | 1,702 |
| Expected return on assets | (1,455) | (1,863) |
| | (49) | 15 |

**Reconciliation of assets and defined benefit obligation**

The change in assets over the period was

| | 2 January 2010 | 3 January 2009 |
|---|---|---|
| | £'000 | £'000 |
| Fair value of assets at the beginning of the period | 24,525 | 29,835 |
| Expected return on assets | 1,455 | 1,863 |
| Employer contributions | 104 | 207 |
| Contributions by scheme participants | 26 | 103 |
| Benefits paid | (1,929) | (1,533) |
| Actuarial gain/(loss) on assets | 2,207 | (5,950) |
| Fair value of assets at the end of the period | 26,388 | 24,525 |

# Notes to the financial statements for the 52 weeks ended 2 January 2010 (continued)

## 23 Pension costs (continued)

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

The change in defined benefit obligation over the period was

| | **2 January 2010** | 3 January 2009 |
|---|---|---|
| | **£'000** | £'000 |
| Defined benefit obligation at the beginning of the period | **23,412** | 31,030 |
| Current service cost | **24** | 176 |
| Contributions by scheme participants | **26** | 103 |
| Interest cost | **1,382** | 1,702 |
| Benefits paid | **(1,929)** | (1,533) |
| Actuarial loss/(gain) | **6,930** | (8,066) |
| Defined benefit obligation at the end of the period | **29,845** | 23,412 |

**Summary of prior year amounts**

| | **2 January 2010** | **3 January 2009** | **Period 19 September 2007 to 29 December 2007** |
|---|---|---|---|
| | **£'000** | **£'000** | **£'000** |
| **Present value of defined benefit obligation** | (29,845) | (23,412) | (31,030) |
| **Scheme assets** | 26,388 | 24,525 | 29,835 |
| **Surplus/ (deficit)** | (3,457) | 1,113 | (1,195) |
| **Experience gains and losses on scheme liabilities** | - | 796 | (33) |
| **Experience adjustments on scheme assets** | 2,207 | (5,950) | (124) |

Contributions of £300,000 are expected to be made next year by Shoe Zone Limited

# Notes to the financial statements for the 52 weeks ended 2 January 2010 (continued)

## 24 Notes to the cash flow statement

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

| | **2 January 2010** | 3 January 2009 |
|---|---|---|
| | **£'000** | £'000 |
| Operating profit | **15,349** | 7,677 |
| Depreciation charges | **5,445** | 4,758 |
| Amortisation of intangible assets | **(3,972)** | (4,835) |
| Profit on disposal | **(44)** | (378) |
| Cash contribution to defined benefit schemes | **(202)** | 274 |
| Movement in provisions | **627** | (1,123) |
| Decrease/(increase) in stocks | **1,357** | (10,566) |
| Decrease/(increase) in debtors | **25** | (3,228) |
| (Decrease)/increase in creditors | **(1,452)** | 11,093 |
| Net cash inflow from operating activities | **17,133** | 3,672 |

### b) Analysis of net cash

| | At 3 January 2009 | Cash flow | **At 2 January 2010** |
|---|---|---|---|
| | £'000 | £'000 | **£'000** |
| Cash at bank and in hand and bank overdrafts | 320 | 8,411 | **8,731** |
| | 320 | 8,411 | **8,731** |
| Debt due after one year | (7,000) | - | **(7,000)** |
| Debt due within one year | (3,795) | 537 | **(3,258)** |
| Preference shares | (53) | 53 | - |
| | (10,528) | 9,001 | **(1,527)** |

## Shoe Zone Group Limited

## Notes to the financial statements for the 52 weeks ended 2 January 2010 (continued)

### 24 Notes to the cash flow statement (continued)

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

| | **2 January 2010** | 3 January 2009 |
|---|---|---|
| | **£'000** | £'000 |
| Increase/ (decrease) in cash in the period | **8,411** | (6,858) |
| Cash inflow/(outflow) from movement in debt and lease financing | **591** | (8,894) |
| Change in debt arising from cash flows | **9,002** | (15,752) |
| Opening net cash at 3 January 2009 | **(10,529)** | 5,223 |
| Closing net cash at 2 January 2010 | **(1,527)** | (10,529) |

### 25 Related party transactions

The company has loans from AEP Smith, JCP Smith, MJ Smith and members of their family (note 18) During the period, interest of £154,000 (3 January 2009 £473,000) 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 £26,000 (3 January 2009 £66,000) at commercially appropriate interest rates on unsecured loans made by these parties (note 18)

During the period rent of £22,000 (3 January 2009 £nil) was paid on a property leased by the group to a pension scheme where JCP Smith and AEP smith are the beneficiaries The balance due to the scheme at the period end amounted to nil (3 January 2009 £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

### 26 Controlling Party

The company is controlled by the director's