Shoe Zone

2014

Annual Report & Accounts

This document is important and requires your immediate attention. If you are in any doubt as to the action you should take, you should contact an appropriate independent adviser authorised under the Financial Services and Markets Act 2000 (as amended) immediately. If you have sold or otherwise transferred all of your shares in Shoe Zone plc you should forward this document to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was affected for transmission to the purchaser or transferee.

Shoe Zone is the leading UK Specialist Value Footwear Retailer

"Having successfully listed the business on the Alternative Investment Market of the London Stock Exchange in May, we have delivered a year of strong profit growth as we continue to deliver on our core strategic objectives"

Anthony Smith, CEO.

Shoe Zone Management Team celebrates the listing of Shoe Zone 23 May 2014

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Financial Highlights

Revenue
£172.9m
(2013: £193.9m)[1]

Profit before tax
£11.4m[2]
+124%
(2013: £5.1m)

Net cash
£9.1m
(2013: £6.6m)

New Revenue Streams
(Launched on Amazon & eBay)

Admitted to AIM
23 May 2014

Online Revenue Growth
+47%

Maiden dividend
3.6p

Product Gross Margin
61.3%
(2013: 59.4%)

17 New Stores and 45 refits

[1] Reduction due to planned closure of unprofitable stores
[2] Before exceptional items

Chief Executive's report

Introduction

I am delighted to deliver my first Chief Executive's report on a very exciting year for Shoe Zone. Having successfully listed the business on the Alternative Investment Market of the London Stock Exchange in May, we have delivered a year of strong profit growth as we continue to deliver on our core strategic objectives.

During the year we welcomed a new Non-Executive Chairman, Ian Filby, and Non-Executive Director, Charlie Caminada, both of whom have brought a wealth of experience to the Executive Board.

We are pleased to announce that our results are in line with market expectations with profit before exceptional items increasing 160% from £3.5m to £9.0m and earnings per share at 16.1p.

As a result of this strong performance, our proposed maiden dividend is 3.6p, in line with our dividend policy. This final dividend, if approved by shareholders, will be paid on 11th March 2015 to shareholders on the register on 13th February 2015. The shares will be ex-dividend on 12th February 2015.

I will now provide an update on the following core strategic objectives:

- Product range development
- Store portfolio management
- Operational improvements
- Online investment
- New sales opportunities

Product range development

We have continued to make good progress in the development of our product ranges.

In the past year, we placed a greater emphasis on our 'Back to School' and 'Comfort' shoe ranges. The 5-9 year old age group is forecast to grow by 12% between 2012 and 2017 and the expected growth in the ageing population is well documented.

As a consequence, we had an extremely strong 'Back to School' with trading in August being the best in the Group's history. We will continue to be more aggressive on price and marketing in both these areas in the next 12 months.

In addition, we have increased our focus on Men's footwear following recent research that shows men are

Chief Executive's report (continued)

now as likely as women to have bought footwear in the last three months. Our Men's multi-buy, '2 pairs for £25' offer which includes selected lines throughout the year performed very well and has been extended in recent months.

We are pleased with the progress of our handbag and shoe care ranges, introduced for the Spring/Summer 2013 season. In 2014, handbag sales growth was up 73% with annual sales of £2.5m. Sales growth for shoe care products was up 94% with annual sales of £1.4m. While constantly reviewing our performance in these areas, we have amended the ranges to enhance performance in 2014/15 and this strategy is already showing good signs of further growth. We are also looking to introduce our handbag range into our Grade 3 stores where we have recently carried out a successful trial.

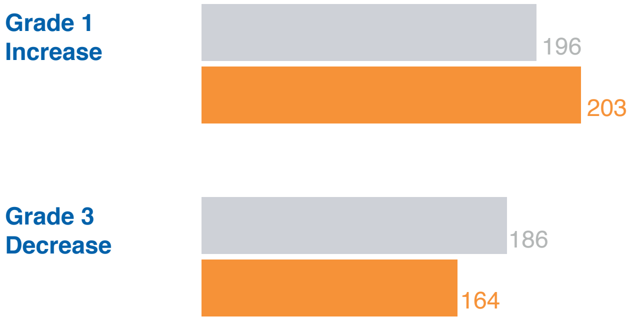
The introduction of 200 web exclusive products in the Spring/Summer 2014 season far exceeded expectations, accounting for 5% of online sales for that season. Recognising the potential in this area, we have bought product for the Autumn/Winter season in greater volume and are already seeing the benefit of this. We are now in detailed discussions with our supply partners about extending our online offer further in 2015.

Store portfolio management

We ended the year operating from 545 stores and the management of our store portfolio has resulted in improved profitability in 2014. We have opened 17 new stores (including six relocations) and completed 45 store refits, spending £1.9m on capital expenditure to achieve this. We have closed a number of temporary stores reducing total sales but helping improve profitability.

We continue to open our largest, most profitable Grade 1 stores while closing smaller Grade 3 stores (see table below). Our short average lease length provides us with the flexibility to best manage the portfolio while also providing plenty of good opportunities, with secondary locations showing limited signs of rental recovery outside the M25.

	12 months to 4 October 2014	12 months to 5 October 2013
Grade 1 (large)	203	196
Grade 2 (medium)	178	188
Grade 3 (small)	164	186
TOTAL	**545**	**570**



Operational improvements

In line with our strategy, orders placed directly with overseas factories increased from 38% in 2013 to 53% in 2014. Where there are margin gains from this approach, these are being reinvested to ensure we can provide our customers with the best value product.

We are pleased with the significant progress we have achieved by following our 'right price, first time' strategy, resulting in a reduction in the amount of markdown value as a percentage of turnover from 8.2% in 2013 to 6.4% in 2014. This has given us a sensible and realistic benchmark for future years.

Chief Executive's report (continued)

Our new promotional material, launched in May 2014, has modernised the look of the stores and re-emphasised our strong price message. We are working on a trial evolution of the store refit due to be implemented in 2015 at our new Meadowhall (Sheffield) store.

Training is at the heart of what we do – an example of this is our apprentice scheme, which once again had a 100% success rate this year. All eighteen trainees who completed their apprenticeship have gone on to permanent employment with us, bringing the total apprentices successfully trained by the Company since 2012 to 37.

Online investment

shoezone.com continues to evolve at a vigorous pace with considerable focus having been placed on customer experience in the past year. Significant changes have been made to the design and the customer journey including an improved checkout. Alongside the visual changes, we have ensured that the site is robust to respond efficiently to the increased traffic which rose 25% year on year. A fully responsive site will be launched in 2015 following a recent trial that resulted in a 24% increase in mobile conversion rates.

We launched on Amazon in November 2013. This has been a very successful source of revenue, equating to 8% of online sales in 2014. Following the success of the Amazon venture, we launched on eBay in July 2014. We are very impressed with the performance so far and expect this to be at least as profitable as Amazon in 2015.

Our e-mail club has grown by 52% in 2014, giving us greater access to our customers and allows us to continue to further develop our successful email marketing.

Our continued emphasis on customer experience has also resulted in the introduction of enhanced delivery and returns options.

The addition of two new members to our in-house team of software developers has increased capacity by 33% enabling us to further drive multi-channel growth.

Management will continue to focus on online sales growth in 2015 via shoezone.com, Amazon and eBay.

New sales opportunities

Our promotional links with other value retailers are very encouraging. During our 'Back to School' campaign, we generated over £800,000 in a seven week period through such promotions. We are confident that this brings new customers to Shoe Zone and has good long-term benefits for both parties. We are looking to develop these links further with other retailers in 2015.

We have had early success with business to business transactions and quoting for footwear contracts and our Customer Services team will continue to develop this offering in 2015.

The launch of factory outlets in 15 stores in Spring 2014 has been very successful and is selling our clearance product at a faster rate.

Our investigations into bricks and mortar international opportunities in Poland and Spain are ongoing but remain a longer term strategic goal rather than an immediate sales growth opportunity.

However, online international sales have now commenced

Chief Executive's report (continued)

and we are working on further developments during 2015 that will improve the delivery options for our international customers via shoezone.com as well as launching in other countries via Amazon.

Employees

We are very proud of the effort that our amazing staff have put in to achieve these results and thank them for their continued hard work, loyalty and commitment. We are also extremely proud of the whole team at Shoe Zone for their commitment throughout the year, in raising £200,000 for our chosen charity BBC Children in Need.

Outlook

Despite the well publicised warm start to the Autumn/Winter season we believe that 2015 will be a year of continued growth for the Group.

We have continued to optimise our store portfolio and so far we have opened six stores (two relocations, four new) and have agreed terms on 10 stores (seven relocations, three new).

Our successful multi-channel offering continues to grow ahead of forecast. The falling oil price is already having a positive impact on the cost of logistics and should also impact the price of raw materials.

The Board continues to see significant opportunities ahead and remains confident that the business will perform in line with market expectations.

Anthony Smith
Chief Executive Officer
23 January 2015

Financial review

In the 52 weeks to 4 October 2014, Group profit before tax excluding exceptional items increased by 124% to £11.4 million (2013: £5.1 million). This was driven by an improvement in gross margin, strong cost control, online growth and the continued optimisation of the store portfolio.

After reflecting exceptional costs of £0.9 million, primarily relating to the IPO, Group profit before tax was up 106% to £10.5 million (2013: £5.1 million).

Revenues of £172.9 million (2013: £193.9 million) declined by 10.8% due to the reduction in store numbers following the rationalisation programme. Store numbers reduced by 25 branches to 545 at the year end (2013: 158 branches closed leaving a total of 570).

Online revenues have grown by 47% during the year, online sales being 3.1% of total sales (2013: 2.2%).

Product gross margin strengthened to 61.3% (2013: 59.4%) reflecting improvements in sourcing.

Operating expenses before exceptional expenses reduced to £17.1 million (2013: £22.1 million).

The effective rate of corporation tax for the year was 23.4% on profits after exceptional items (2013: 31.7%).

The Group has re-calculated deferred tax balances to be in line with the new lower corporation tax rate of 20%.

Earnings per share are 16.1 pence (2013: 6.9 pence) and 18.0 pence (2013: 6.9 pence) on a pre-exceptional basis.

The Group's balance sheet has significantly strengthened during the year with net working capital increasing by £2.9 million to £20.0 million. The Group has invested £1.9 million in store refit spend during the year. The Group supports two defined benefit schemes and these have suffered a net loss of £2.0 million during the year.

The Group's current bank facilities include a Rolling Credit Facility for £5.0 million and an on demand overdraft facility for £1.0 million, both with HSBC. Neither facility has been used during the year. The business has a debt free financial structure and generated £13.0 million from operations, resulting in a net cash position of £9.1 million (2013: 6.6 million) at the year end.

A final dividend of 3.6 pence per share is proposed for shareholders on the register on 13 February 2015, payable on 11 March 2015 if approved at the Annual General Meeting to be held on 27 February 2015.

The Group continues to focus on cash generation giving it the strength and resource for positive yield and growth.

Nick Davis
Chief Financial Officer
23 January 2015

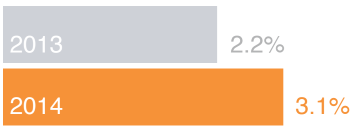
Key Performance Indicators

The Group uses the following Key Performance Indicators (KPIs) to measure the performance and position of the business and its progress against strategic objectives.

Online Participation %

Online Sales as a percentage of total sales.

The online participation increased by 90 basis points to 3.1% (2013: 2.2%). This is an encouraging performance and we anticipate further growth in participation for FY15.



Product Gross Margin %

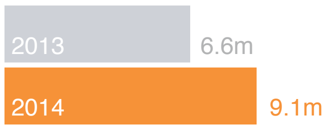
Product Gross Profit expressed as a percentage of revenue.

The Product Gross Margin increased by 190 basis points to 61.3% (2013: 59.4%) reflecting the continued success of increasing our direct sourcing.

Cash Balance

Cash held by the Group at the period end.

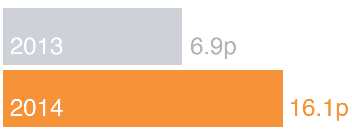
We finished the year with a healthy cash balance of £9.1m (2013: £6.6m). This gives us a strong base for FY15.



Earnings per Share Growth

The percentage movement in Earnings per share.

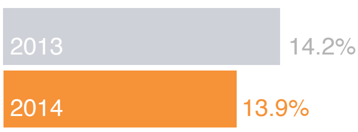
Strong margin growth, online participation and the continued optimisation of the property estate have secured an EPS growth of 132%. EPS for the year is 16.1p (2013: 6.9p).



Rental % of Turnover

Store rent as a percentage of turnover.

The rental % of turnover has reduced from 14.2% to 13.9% reflecting the increase in Grade 1 stores and rent negotiations.



Principal risks and uncertainties

We set out below the principal risks and uncertainties that the Directors consider could impact the business. The list highlights the key risks but there may be other risks to which the business is exposed. The list is not intended to be exhaustive.

Market and Competition

The value footwear retail market is highly competitive, particularly with respect to price, product selection, quality and store location. The markets the Group operates in are, on a comparative basis, free and open markets with low barriers to entry. The Group competes at national and local levels with a diverse group of retailers of varying sizes and covering different product categories and geographic markets. These competitors include local, national and global retailers, including other specialist footwear retailers, supermarkets, online retailers and local independent retailers. Some competitors may have greater market presence, name recognition, financial resources and economies of scale or lower cost bases than the Group and may be able to withstand, or respond more swiftly to, changes in market conditions, any of which could give them a competitive advantage over the Group. In addition, like many other retailers, because the Group does not have exclusive rights to many of the elements that comprise its in-store experience and product offering, competitors may seek to copy or improve on the Group's business strategy, which could significantly harm the Group's competitive position.

The Board monitors competitor activities and discusses them on a weekly basis. The Group has adopted a strategy which intends to differentiate itself from its closest competitors and endeavours to price match on any cross over product lines. Maintaining price competitiveness is a key focus of the business.

Identifying fashion and trends

The success of the Group's business depends in part on its ability to innovate and to identify, anticipate and respond to evolving trends in consumer preferences and demographics and fashion trends, and to translate these trends into appropriate, saleable products. The Group seeks to change and refresh its product offering seasonally in order to drive customer traffic through its stores and online offering but demand for, and market acceptance of, these new products is uncertain.

Trends and demands are continually reviewed by knowledgeable and experienced employees who have a high level of market awareness. The Board monitors on a weekly basis best sellers and evaluates the performance of new lines.

Economic factors

Poor economic conditions in the UK, the Republic of Ireland and globally, as well as economic factors such as unemployment levels, consumer debt levels, lack of available credit, energy costs, inflation, interest and tax rates, may adversely affect the disposable income of the Group's customers, which could result in lower sales. In particular, in times of economic uncertainty or recession or lack of consumer confidence, there may be a decrease in discretionary purchases generally, which could have a material adverse effect on the Group's business, results of operations and financial condition. Global economic conditions and uncertainties may also impact the Group's manufacturers and suppliers in ways that could adversely affect the Group's business.

The Board considers very carefully the economic climate in planning its product ranges and pricing structure. As the business is focussed on offering low prices it is more resilient to reductions in consumer expenditure than other footwear retailers.

Reliance on overseas suppliers

Like many retailers, the Group is dependent on being able to source suitable products from manufacturers and other suppliers at a sufficiently low cost and in a timely manner. Although the Group enjoys good relationships with a wide range of manufacturers and other suppliers and is not overly reliant on any one supplier, there is still potential for the Group to be exposed to adverse operational and financial risks should there be a deterioration in relationships with a number of its key suppliers or if the Group is unable to identify and develop relationships with suitable suppliers who can satisfy its standards for price, quality, safety and its quantity and delivery requirements.

The vast majority of the Group's retail products are manufactured overseas by suppliers located in China, India, Turkey, Italy and Portugal. As a result, the Group is also subject to the risks associated with international trade, particularly those risks which are common in the importation of goods from developing countries, including the imposition of taxes or other charges on imports, compliance with and changes to import restrictions and regulations, and exposure to different legal standards and the burden of complying with a variety of foreign laws and

Principal risks and uncertainties (continued)

changing foreign government policies.

The Board are always seeking out new sources of supply with a clear strategy of diversification. Members of the Management Team frequently visit overseas suppliers to ensure that existing factories are being regularly monitored and new factories are being sourced that meet our price, quality and safety standards.

Reputational risk

The Group's sales are dependent in part on the strength and reputation of the brands it offers, including own label brands, and are dependent on consumers' perceptions of the Group and its products.

The vast majority of the Group's profits are derived through sales of its own label brands. Maintaining broad market acceptance of its own label brands depends on many factors, including value, quality and consumer perception. The Group may not in the future achieve or maintain its expected sales of its own label brands, which could have a material adverse effect on the Group's business, results of operations and financial position.

The Board has sufficient internal processes to ensure that it receives feedback from stores and customers on the design and quality of its products. The business' reputation is carefully managed through internal procedures by the Board.

Loss of key operating site

The Group has a single distribution centre and its head office located at premises in Leicester and therefore the Group is currently entirely dependent on the continued efficient operation of the Leicester Premises. Any disruption to the operation of the Leicester Premises may therefore have an adverse effect upon the Group's financial condition, operations and business prospects. The premises may suffer prolonged power or equipment failures, failures in its IT systems or networks or damage from fire, flood, or other disasters or unforeseen events which may not be covered by, or may be in excess of, its insurance coverage. Damage resulting from any of these events may take considerable time to repair. A prolonged period before rectification could have an adverse effect upon the Group's financial condition, operations and business prospects.

The business has appropriate insurance and business continuity plans to mitigate the risk of such a loss.

Data security and IT reliability

The Group relies to a significant degree on the uninterrupted operation of its computer and communications systems and infrastructure, as well as the equivalent systems and infrastructure of third parties, for the efficient running of its business, including with respect to inventory, merchandising, finance, human resources, distribution and logistics and store operations.

The Group must comply with restrictions on the use of customer data and ensure that confidential information (such as credit or debit card numbers) is transmitted in a secure manner over public networks.

Despite controls to ensure the confidentiality and integrity of customer data, the Group may breach restrictions or may be subject to attack from computer programmes that attempt to penetrate the network security and misappropriate confidential information. Any such breach or compromise of security could adversely impact the Group's reputation with customers and consumers, lead to litigation or fines, and as a result, have a material adverse effect on its business, results of operations and financial position.

The business has appropriate disaster recovery and business interruption plans. The IT systems have been developed significantly in-house reducing the businesses dependency on any third parties.

Reliance on key personnel

The Group depends on a relatively small senior management team and the loss of a material number of such individuals or the inability to attract appropriate personnel in a timely manner could impact upon the Group's future performance.

The Group's Remuneration Policy is designed to attract, retain and motivate management. Succession plans are in place for key roles.

The strategic report as set out on pages 1 - 10, was approved by the Board.

On behalf of the Board

Anthony Smith
Chief Executive Officer
23 January 2015

Corporate governance statement

Principles of Corporate Governance

The Directors acknowledge the importance of the principles set out in the UK Corporate Governance Code (the 'UK code'). The UK code is not compulsory for AIM quoted companies; therefore this report does not describe compliance with or departures from the UK code. However, the Directors intend to apply certain principles of the UK code where the Board considers it appropriate for the size and nature of the Company. The Group supports the Quoted Companies Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies 2013 which are widely recognised as the benchmark for corporate governance of smaller quoted companies and are therefore most appropriate for the Company.

The Board

The Board comprises three Executive Directors, two independent Non-Executive Directors (including the Chairman) and one Non-Executive who is considered to be non-independent (Jeremy Sharman). Accordingly, the Board composition meets the recommendations of the QCA guidelines.

The Board is committed to maintaining high standards of corporate governance and to being transparent about its arrangements.

The key responsibilities of the Board are:

- the overall management of the Group;
- approval of corporate strategy;
- approval of income, expenditure and capital budgets;
- oversight of operations ensuring adequate systems of internal control and risk management are in place;
- to review business performance against the objectives that it has set;
- to monitor the integrity of the financial statements and approve the annual and interim reports;
- approval of the dividend policy;
- determining changes to the structure and composition of the Board;
- determining remuneration policy;
- approval of communications with shareholders and the market.

Details of each of the Directors is given in their biographies on pages 12 and 13.

Appointments to the Board and re-election

The Company is governed by its Articles of Association ('Articles'). Under the Articles the Board has the power to appoint a Director during the year but any person so appointed must stand for election at the next Annual General Meeting ('AGM'). As the Company was incorporated in March 2014 at its first AGM all Directors must retire from office but may be reappointed. At every subsequent AGM any Directors who were not appointed or reappointed at one of the preceding two AGMs, must retire from office and may offer themselves for reappointment by the members.

Board committees

The Board has established a Remuneration Committee and an Audit Committee. Due to the nature and size of the Group, the Directors have decided that issues concerning the nomination of Directors will be dealt with by the Board rather than a nomination committee.

Membership of the two Board Committees is comprised of the two independent Non-executive Directors. Each Board Committee has approved Terms of Reference setting out their responsibilities. The Terms of Reference were approved by the Board during the year. All of the Board Committees are authorised to obtain, at the Company's expense, professional advice on any matter within the Terms of Reference and to have access to sufficient resources to carry out their duties.

The Audit Committee is chaired by Ian Filby. The committee meets as necessary to monitor the Group's risk management and internal control systems and is also concerned with any major accounting and audit related issues. Executive Directors and senior management are responsible for managing the risk framework and internal control systems and must report on their effectiveness to the Audit Committee.

Details of the duties of the Remuneration Committee are set out in the Remuneration report on page 14.

Board of Directors

Ian Filby

Chairman

Ian has over 30 years' experience in retail and is currently the Chief Executive Officer of DFS Furniture Company Ltd, a post he has held since 2010. Prior to this he spent 28 years at The Boots Company plc and Alliance Boots in various positions including Executive Director (Retail Brand Development division), Executive Trading Director (Boots division), Executive Director (Beauty & Lifestyle division), Commercial Director (Lifestyle division) and Sales and Marketing Director (Fads/Homestyle division) amongst others. In 2009 Ian set up IFF Life & Business Solutions and has acted as Interim Chief Executive Officer of Groupe Aeroplan Europe (Nectar) and a consultant to Alliance Boots Group and Oliver Wyman. Ian holds an MA in Chemistry from Cambridge University. He has recently been appointed as a member of the BRC (British Retail Consortium) Board and Chair of the BRC Policy Board.

Anthony Smith

Chief Executive Officer

Anthony joined Shoe Zone in 1993 as Marketing Manager and held various roles within Marketing and Retail divisions before becoming Chief Executive Officer in 1997. Since his appointment as Chief Executive Officer, Shoe Zone has carried out three major acquisitions and traded successfully through two recessions. Anthony is a founder and Trustee of the Shoe Zone Trust. Anthony is a Trustee of Uppingham School and Chairman of the Uppingham School Foundation.

Nick Davis

Chief Financial Officer

Nick joined Shoe Zone in 2003 as Management Accountant from PKF where he had been a Senior Business Advisor in Audit and Assurance since 1999. Nick became Financial Controller of Shoe Zone in 2005 and joined the Board as Finance Director in 2006. As Chief Financial Officer he is responsible for all financial operations including Accounting, Financial Planning, Treasury, Tax and Financial Strategy. He is FCA qualified and holds a BSC in Economics from Loughborough University. Outside of Shoe Zone Nick also serves as a Board member and Trustee of two charities.

Board of Directors (continued)

Charles Smith

Chief Operating Officer

Charles joined Shoe Zone in 1998 and joined the Board as Retail Director in 2001. Over the past 15 years, Charles has worked closely with his brother, Anthony, and other members of the management team to ensure integration of acquired businesses with Shoe Zone's existing business and the Shoe Zone culture. As Chief Operating Officer his main areas of responsibility are Retail, HR and E-Commerce. Charles holds a Business Studies degree from Leicester DeMontfort University. Charles is a founder and Trustee of Shoe Zone Trust. Outside of Shoe Zone he is a Board member and Trustee of three charities.

Charlie Caminada

Non-Executive Director

Charlie has 20 years' executive board experience of brand building for entertainment, media and retail organisations, including 16 years' experience on the boards of London Stock Exchange traded companies and 12 years' experience as a COO. Charlie spent seven years as Chief Operating Officer at Ludorum plc between 2005 and 2012, heading the company's listing on AIM in 2006. Prior to that he was a founding member and Chief Operating Officer at HIT Entertainment plc for 15 years. Charlie is currently Non-Executive Director at Hornby plc, Specialist Advisor & Member of the Development Board to the Centre of Social Justice and a Specialist Advisor to the UK Trade & Investment (UKTI). He is a Governor of Heathfield School, Ascot.

Jeremy Sharman

Non-Executive Director

Jeremy Sharman has over 25 years of experience acting as a Non-Executive Director on the boards of various companies, primarily in the consumer and internet sectors. He was one of the founding partners of HgCapital where he served from 1990 to 2005. He now acts as an independent investing Director. He has served as chairman or non-Executive Director on the boards of Premier Marinas, Park Resorts, Hoseasons, Villarenters.com, Travelsphere, Page and Moy and Belfast International Airport amongst others. Jeremy took up the post of Non-Executive Director at Shoe Zone in 2012. Jeremy holds an MA in Mathematics from Oxford University. He is founder and chairman of two charities and chairman of Witham Hall and Dolphin Preparatory Schools.

Remuneration report

This is the Company's first Directors' Remuneration Report since it listed on AIM in May 2014.

The Committee consists of two independent Non-executive Directors. Charlie Caminada is the Chairman and Ian Filby also serves on the Committee.

Anthony Smith, Nick Davis and Charles Smith may attend the Committee meetings by invitation.

Duties

The main duties of the Remuneration Committee are set out in its Terms of Reference adopted 25 April 2014 and include:

- responsibility for agreeing with the Board, the framework or broad policy for the remuneration of all Executive Directors of the Company, including pension rights, compensation payments bonuses, incentive payments, share options and benefits in kind;
- obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity and market practice generally;
- be exclusively responsible for selecting any remuneration consultants who advise the Committee;
- approve the design and determine targets for any performance-related pay schemes operated by the Company and approve the total annual payments made under such schemes;
- monitor the level and structure of remuneration for senior management and note annually the remuneration trends across the Group;
- review the design and implementation of all share incentive plans for approval by the Board and shareholders. For such plans, determine each year whether awards will be made, and if so, the overall amount of such awards;
- ensure the contractual terms on termination, and any payments made, are fair to the individual and the Company, and in accordance with any legal and regulatory requirements;
- oversee any major change in employee benefit structures throughout the Group;
- agree the policy for authorising claims for expenses from the Directors

Remuneration report (continued)

Directors and Directors' interests

The Directors listed below all served throughout the year, or were appointed on the dates indicated below. Their interests in the issued share capital of the Company as at the date of this report were as follows:

	Date of appointment	Number of ordinary shares	Percentage of issued share capital
Executive Directors			
Anthony Smith	26 March 2014	15,282,064 (1)	30.56%
Charles Smith	26 March 2014	12,217, 936 (1)	24.44%
Nick Davis	26 March 2014	Nil	-
Non-Executive Directors			
Ian Filby	29 April 2014	Nil	-
Charlie Caminada	29 April 2014	15,625	0.03%
Jeremy Sharman	29 April 2014	234,375	0.47%

(1) The registered holder of these shares is Shoe Zone Group Limited, an entity 100% indirectly owned by Anthony Smith and Charles Smith

Remuneration report (continued)

Directors’ Remuneration

Directors’ remuneration information for those individuals who have served as a Director of the Company since 26 March 2014, the date of incorporation, are presented below. The information presented in respect of these Directors is for the full financial year.

Individual	Basic Salary and fees £	Profit Share (Bonus) £	Benefits £	Pension Contribution £	Total £
Executive Directors					
Anthony Smith	225,000	-	30,968	-	255,968
Charles Smith	188,000	-	17,188	-	205,188
Nick Davis	136,500	86,620	11,565	16,380	251,065
Non-Executive Directors					
Ian Filby	25,000	-	-	-	25,000
Charlie Caminada	12,500	-	-	-	12,500
Jeremy Sharman	23,100	-	-	-	23,100
	610,100	86,620	59,721	16,380	772,821

The Company currently does not operate any share option or share award schemes to its employees.

Directors’ Service contracts and employment letters

The Executive Directors have entered into service agreements with the Company at the following annual salaries with effect from 1 May 2014.

	£
Anthony Smith	**250,000**
Charles Smith	**200,000**
Nick Davis	**142,000**

Remuneration report (continued)

Each Executive Director's employment will continue until terminated by either party by written notice. The notice periods applicable are 12 months for Anthony Smith and Charles Smith, 6 months for Nick Davis. Other fixed elements of the Executive Directors' remuneration comprise a company car provision, life assurance and private medical insurance. Nick Davis is entitled to a Pension Contribution of 12% of basic salary.

The Company may elect to terminate the employment of each Executive Director by making a payment in lieu of notice equal to their basic salary payable in monthly instalments.

Each of the Executive Directors has agreed to post-termination restrictions in order to protect confidential information, trade secrets and business connections. These restrictions last for 9 months.

The Non-Executive Directors have entered into appointment letters. Under the terms of these letters, the Non-Executive Directors are entitled to an annual fee as set out below:

	£
Ian Filby	**60,000**
Charlie Caminada	**30,000**
Jeremy Sharman	**30,000**

The appointments are terminable by either party with one month's written notice. The Company may pay the Non-Executive Directors in lieu of their notice period.

Charlie Caminada
Chairman of the Remuneration Committee
23 January 2015

Directors' report for the 52 weeks ended 4 October 2014

The Directors present their Annual Report and audited financial statements of the Company and the Group for the 52 weeks ended 4 October 2014.

The disclosure requirements of the Companies Act 2006 have been met by the contents of this Directors' Report, along with the Strategic Report, and the Directors' Remuneration Report which should therefore be read in conjunction with this report.

The Company

Shoe Zone plc (the 'Company') is a company incorporated and domiciled in the UK, with the registered company number 08961190. The Company was incorporated on 26 March 2014 as a private company limited by shares under the name Shoe Zone (Holdings) Limited. On 30 April 2014, the Company was re-registered as a public limited company with the name Shoe Zone plc. The business of the Company, and its principal activity, is to act as the ultimate holding company of the Group. The Group trades under the name 'Shoe Zone'.

On incorporation the Company's accounting reference date was 31 March. On 22 April 2014 the Company's accounting reference date was changed to 30 September by shortening its accounting reference period.

Share Capital

The authorised share capital of the Company is unlimited. The Company was incorporated with an issued share capital of £1.00 which was issued to Shoe Zone Group Limited ('SZGL') on incorporation.

On 24 April 2014, the Company issued thirteen shares of £1.00 to SZGL, the entire issued share capital was then consolidated into one ordinary share of £14.00 and thereafter subdivided into ten ordinary shares of £1.40. The Company then issued 49,999,990 ordinary shares of £1.40 to SZGL in consideration of the acquisition by the Company of the entire issued share capital of Shoe Zone Retail Limited, Castle Acres Development Limited and Zone Group Limited in a share-for-share exchange. The aggregate premium paid on these shares was £585,576.54.

On 28 April 2014, the Company undertook a share capital reduction by way of solvency statement pursuant to which the Company (i) reduced the amount paid up on each ordinary share of £1.40 by £1.39; and (ii) reduced the entire amount standing to the credit of its share premium account. Following this reduction, the Company's issued share capital was £500,000 comprising 50,000,000 Ordinary Shares.

Directors

The Directors who held office during the year and up to the date of signing the financial statements were:

Anthony Smith	(appointed 26 March 2014)
Charles Smith	(appointed 26 March 2014)
Nick Davis	(appointed 26 March 2014)
Ian Filby	(appointed 29 April 2014)
Charlie Caminada	(appointed 29 April 2014)
Jeremy Sharman	(appointed 29 April 2014)

Directors' Interests

Information about the Directors' interests in the shares of the Company can be found in the Directors' Remuneration Report.

Directors' Indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity provision as defined by s234 of the Companies Act 2006. The indemnity was in force throughout the financial year and at the date of approval of the financial statements. The Group maintains Directors' and Officers' liability insurance.

In accordance with the Articles of Association, all the Directors offer themselves for re-election at the AGM, as they were appointed during the year.

Employees

The Group employed 4,009 employees at the year end.

The Group's policy is to actively involve its employees in the business to ensure that matters of concern to

Directors' report for the 52 weeks ended 4 October 2014 (continued)

them, including the Group's aims and objectives and the financial and economic factors which impact them are communicated in an open and regular manner.

The Directors are committed to delivering the highest standards of health and safety for employees, customers and others that might be affected by the Group's activities.

The Group is committed to employing the right people, training them well and promoting from within wherever possible. Well trained and motivated employees are key to delivering good service to our customer and are fundamental to the long-term success of the business.

The Group operates an equal opportunities policy that aims to treat individuals fairly and not to discriminate on the basis of sex, race, ethnic origin, disability or any other basis. Applications for employment are fully considered on their merits, and employees are given appropriate training and equal opportunities for career development and promotion.

Annual general meeting

The Company's first AGM will be held on Friday, 27 February 2015 at 11a.m. at the Company's registered office at Haramead Business Centre, Humberstone Road, Leicester, Leicestershire LE1 2LH. The Notice of AGM appears on pages 78 to 81.

Set out below is an explanation of certain of the resolutions which will be proposed at the AGM.

Re-election of Directors (resolutions 3 to 8)

As this is the Company's first AGM, each Director will stand for re-election in accordance with the Company's articles of association. Biographical details of each Director appear on pages 12 and 13. The Board believes that each Director continues to demonstrate his commitment to his role and that, collectively; the Directors' skills complement each other and enhance the overall operation of the Board.

Dividend

The Directors are proposing a final dividend of 3.6p per ordinary share, amounting to a total dividend of £1.8m, which is subject to approval by the shareholders at the AGM. In line with the requirements of IAS 10 – 'Events after the reporting period', this dividend has not been recognised as a liability in the financial statements.

Political donations (resolution 11)

The Company is prohibited under the Companies Act 2006 from making donations to EU political parties or organisations or to independent election candidates in the EU of over £5,000.00 a year without shareholder approval. The Companies Act 2006 uses very broad definitions of political donations and expenditure which may extend to normal business activities which might not be thought of as political expenditure in the more usual sense. Activities which could be caught include representing the Company in the business community or at special interest groups which the Company may wish to support. In addition, the sponsorship of industry forums, the funding of seminars and other functions to which politicians are invited may also be caught. The Company is therefore proposing this resolution to ensure that it does not inadvertently breach the rules whilst carrying out its normal business activities.

During its last financial year the Company made no political donations and incurred no political expenditure. The Company does not intend to make any such donations or incur any such expenditure this year.

Authorities to allot shares (resolutions 12 and 13)

By law, the Directors are not permitted to allot new shares (or to grant rights over shares) unless authorised to do so by shareholders. Resolution 12 seeks shareholder authority to allow the Directors to allot shares having an aggregate nominal value of £166,666.00 representing approximately a third of the Company's issued share capital on 31 December 2014. In addition, shareholder authority is sought to allot further shares having an aggregate nominal value of £166,666.00 in connection with a pre-emptive rights issue (representing approximately a further third of the Company's issued share capital on 31 December 2014).

Resolution 13 concerns the dis-application of pre-emption rights. Under the Companies Act 2006, all shareholders are entitled to participate on a pre-emptive basis in all issues of shares for cash, unless shareholders have authorised the Directors otherwise. Paragraph (a) of resolution 13 gives the Directors authority to make arrangements dealing with certain legal, regulatory and practical matters in connection with a pre-emptive issue of shares. Paragraph (b) of resolution 13 gives the Directors the necessary authority to either allot shares or sell shares held in treasury for cash on a non pre-emptive basis up to an aggregate nominal amount of £25,000.00 (being 2,500,000 shares). This is equivalent to approximately 5% of the issued share capital of the Company on 31

Directors' report for the 52 weeks ended 4 October 2014 (continued)

December 2014.

The Directors consider that it is appropriate for these authorities to be granted to preserve maximum flexibility for the future. However, the Directors currently have no plans to exercise these powers. The authorities sought will apply until the conclusion of the next AGM of the Company to be held in 2016 or 31 March 2016, whichever is earlier.

Form of Proxy

Shareholders will find enclosed a Form of Proxy for use at the AGM. For shares held through CREST, proxy appointments may be submitted via the CREST proxy voting system. Votes should be lodged as soon as possible in accordance with the instructions in the Notice of AGM and on the Form of Proxy, whether or not shareholders intend to be present at the AGM. Appointing a proxy will not preclude a shareholder from attending the AGM and voting in person.

All proxy appointments should be submitted so as to be received no later than 11 a.m. on 25 February 2015.

Recommendation

The Board considers that the resolutions to be proposed at the AGM are in the best interests of the Company and are most likely to promote the success of the Company for the benefit of its members as a whole. The Directors recommend that shareholders vote in favour of each resolution, as the Directors intend to do in respect of their own shareholdings.

External auditors

BDO LLP have issued their independent report on these financial statements to the shareholders of Shoe Zone plc. The report can be found on page 22.

The auditors, BDO LLP, have indicated their willingness to continue in office and a resolution that they be re-appointed will be proposed at the AGM.

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.

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.

Going Concern

The Directors consider that the business is a going concern and that it is appropriate to prepare the financial statements on a going concern basis. In reaching this conclusion, the Directors have assessed the Group's current performance and position and factors that may affect the Group's future prospects.
The Group's financial position is strong with healthy positive cash balances at the year end and no debt. It also has in place a £5.0m Revolving Credit Facility ('RCF'), which matures in September 2015. The RCF requires the Group to comply with certain financial covenants; these have been met during the year, and since the year-end. The RCF has not been utilised since inception. The Directors have reviewed forecasts and projections and consider that the Group has adequate banking facilities to meet its operational and capital commitments. The Directors therefore have a reasonable basis on which to satisfy themselves that the business is a going concern.

Directors' report for the 52 weeks ended 4 October 2014 (continued)

Events after the year-end

Between 4 October 2014 and the date of this report, there have been no material events.

The Strategic Report, the Directors' Report and the Directors' Remuneration Report were approved by the Board.

Directors' responsibilities statement

The Directors are responsible for preparing the strategic report, the Director's 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 group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the company 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 group and company and of the profit or loss of the group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, 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 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 enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the Directors. The Directors' responsibility also extends to the on-going integrity of the financial statements contained therein.

Disclosure of information to auditors

Each Director in office at the date of approval of this report has confirmed that:

- So far as he is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- He has taken all reasonable steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

In accordance with Section 489 of the Companies Act 2006, a resolution will be proposed at the AGM that BDO LLP be re-appointed as auditors.

Approved by the Board and signed on its behalf:

Anthony Smith
Chief Executive Officer
23 January 2015

Independent auditor's report to the members of Shoe Zone plc

We have audited the financial statements of Shoe Zone plc for the 52 weeks ended 4 October 2014 which comprise the consolidated income statement, the consolidated statement of total comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, the related notes and the company statement of financial position. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements 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 auditors

As explained more fully in the statement of Directors' responsibilities, 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

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 4 October 2014 and of the Group's profit for the 52 weeks then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

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.

Richard Wilson (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Leicester
23 January 2015

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated income statement for the 52 weeks ended 4 October 2014

	Note	Before Exceptional items 52 weeks ended 4 October 2014 £'000	Exceptional items 52 weeks ended 4 October 2014 £'000	52 weeks ended 4 October 2014 £'000	53 weeks ended 5 October 2013 £'000
Revenue	1, 4, 8	172,861	-	172,861	193,882
Cost of sales	5	(144,303)	-	(144,303)	(166,439)
Gross profit		28,558	-	28,558	27,443
Administration Expenses	5	(11,813)	-	(11,813)	(16,108)
IPO costs	5, 6	-	(936)	(936)	-
Distribution costs	5	(5,240)	-	(5,240)	(6,028)
Profit from operations		11,505	(936)	10,569	5,307
Finance income	9	33	-	33	36
Finance expense	9	(103)	-	(103)	(285)
Profit before taxation		11,435	(936)	10,499	5,058
Taxation	10	(2,459)	-	(2,459)	(1,601)
Profit attributable to equity holders of the parent		8,976	(936)	8,040	3,457
Earnings per share - basic and diluted	27			16.08p	6.91p

Consolidated statement of total comprehensive income for the 52 weeks ended 4 October 2014

	Note	52 weeks ended 4 October 2014 £'000	53 weeks ended 5 October 2013 £'000
Profit for the period		**8,040**	3,457
Items that will not be reclassified subsequently to the income statement			
Remeasurement (losses)/gains on defined benefit pension scheme	24	**(2,371)**	3,288
Movement in deferred tax on pension schemes	24	**474**	(850)
Other comprehensive (expense)/income for the period		**(1,897)**	2,438
Total comprehensive income for the period attributable to equity holders of the parent		**6,143**	5,895

Consolidated statement of financial position as at 4 October 2014

	Note	52 weeks ended 4 October 2014 £'000	53 weeks ended 5 October 2013 £'000 Re-stated	52 weeks ended 29 September 2012 £'000 Re-stated
Assets				
Non-current assets				
Property, plant and equipment	12	**21,233**	24,636	28,851
Deferred tax asset		**-**	-	157
Total non-current assets		**21,233**	24,636	29,008
Current assets				
Inventories	13	**29,181**	29,959	33,416
Trade and other receivables	14	**8,377**	8,693	10,077
Derivative financial assets	15	**741**	-	-
Cash and cash equivalents	25	**9,114**	6,552	8,685
Total current assets		**47,413**	45,204	52,178
Total assets		**68,646**	69,840	81,186
Current liabilities				
Trade and other payables	16	**(25,920)**	(23,889)	(31,841)
Loan and borrowings	17	**-**	(1,668)	(2,933)
Provisions	18	**(959)**	(764)	(3,167)
Derivative financial liabilities	15	**-**	(528)	(189)
Corporation tax liability		**(518)**	(1,217)	(2,041)
Total current liabilities		**(27,397)**	(28,066)	(40,171)
Non-current liabilities				
Trade and other payables	16	**(3,766)**	(4,773)	(5,561)
Loan and borrowings		**-**	-	(1,000)
Provisions	18	**(470)**	(866)	(879)
Employee benefit liability	24	**(4,766)**	(2,744)	(6,422)
Deferred tax liability	20	**(516)**	(343)	-
Total non-current liabilities		**(9,518)**	(8,726)	(13,862)
Total liabilities		**(36,915)**	(36,792)	(54,033)
Net assets		**31,731**	33,048	27,153
Equity attributable to equity holders of the company				
Called up share capital	21	**500**	500	500
Merger reserve		**2,662**	2,662	2,662
Retained earnings		**28,569**	29,886	23,991
Total equity and reserves		**31,731**	33,048	27,153

The financial statements were approved and authorised for issue by the Board of Directors.

Anthony Smith
Chief Executive Officer
23 January 2015

Registered Number 08961190

Consolidated statement of changes in equity for the 52 weeks ended 4 October 2014

	Share Capital	Merger reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000
At 29 September 2012	500	2,662	23,991	27,153
Profit for the period	-	-	3,457	3,457
Other comprehensive income	-	-	2,438	2,438
Total comprehensive income for the period	-	-	5,895	5,895
At 5 October 2013	500	2,662	29,886	33,048
Profit for the period	-	-	8,040	8,040
Other comprehensive expense	-	-	(1,897)	(1,897)
Total comprehensive income for the period	-	-	6,143	6,143
Distribution prior to group reorganisation	-	-	(2,458)	(2,458)
Dividends paid prior to group reorganisation (note 11)	-	-	(5,002)	(5,002)
Total contributions by and distributions to owners	-	-	(7,460)	(7,460)
At 4 October 2014	**500**	**2,662**	**28,569**	**31,731**

The distribution prior to group reorganisation was made to enable Shoe Zone Group Limited to repurchase its own shares prior to the listing on AIM.

The merger reserve is the nominal value of shares that have been repurchased. Retained earnings are all other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

Consolidated statement of cash flows for the 52 weeks ended 4 October 2014

	52 weeks ended 4 October 2014 £'000	53 weeks ended 5 October 2013 £'000
Operating activities		
Profit after taxation	8,040	3,457
Corporation tax	2,459	1,601
Finance income	(33)	(36)
Finance expense	103	285
Pension contributions paid	(425)	(600)
Depreciation of property, plant and equipment	4,527	6,497
Loss on disposal of property, plant and equipment	108	50
	14,779	11,254
Decrease in trade and other receivables	329	1,722
Decrease in inventories	778	3,457
Decrease in trade and other payables	(185)	(8,577)
Decrease in provisions	(200)	(2,416)
	722	(5,814)
Cash generated from operations	15,501	5,440
Income taxes paid	(2,512)	(2,774)
Net cash flows from operating activities	12,989	2,666
Investing activities		
Purchase of property, plant and equipment	(2,008)	(2,827)
Sale of property, plant and equipment	703	332
Interest received	33	36
Net cash used in investing activities	(1,272)	(2,459)
Financing activities		
Distribution prior to group reorganisation	(2,458)	-
Dividends paid prior to group reorganisation (note 11)	(5,002)	-
Interest paid	(27)	(76)
Repayment of loans	(1,668)	(2,264)
Net cash used in financing activities	(9,155)	(2,340)
Net increase/(decrease) in cash and cash equivalents	2,562	(2,133)
Cash and cash equivalents at beginning of period	6,552	8,685
Cash and cash equivalents at end of period (note 25)	9,114	6,552

Notes to the financial statements for the 52 weeks ended 4 October 2014

1. Accounting policies

General information

Shoe Zone plc (the 'Company') is a public company incorporated and domicile in England and Wales. The registered office is at Haramead Business Centre, Humberstone Road, Leicester, LE1 2LH. The company registered number of the Company is 8961190.

The Company and its subsidiaries' (collectively the Group) principal activity is a footwear retailer in the United Kingdom and the Republic of Ireland.

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied for the 52 weeks ended 4 October 2014.

This financial statements have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively IFRSs) issued by the Internal Accounting Standards Board (IASB) as adopted by the European Union ('adopted IFRSs') and those parts of the Companies Act 2006 that are applicable to companies that prepare financial statements in accordance with IFRS.

The consolidated financial statements have been prepared on a going concern basis and under the historical cost convention, as modified for the revaluation of financial assets and financial liabilities at fair value.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 2.

Basis of consolidation

The consolidated financial statements incorporating the financial statements of Shoe Zone plc and its subsidiary undertakings are all made up to 4 October 2014. The results for all subsidiary companies are consolidated using the acquisition method of accounting.

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the company considers all relevant facts and circumstances, including:

- The size of the company's voting rights relative to both the size and dispersion of other parties who hold voting rights.
- Substantive potential voting rights held by the company and by other parties.
- Other contractual arrangements.
- Historic patterns in voting attendance.

The consolidated financial statements present the results of the company and its subsidiaries ('the Group') as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

Notes to the financial statements for the 52 weeks ended 4 October 2014 (continued)

1. Accounting policies (continued)

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

Changes in accounting policies

As these are the first financial statements of the Group under IFRS, the group has applied all IFRSs that are effective for the 52 weeks ended 4 October 2014 and the 53 weeks ended 5 October 2013. The Group has not early adopted the following new standards, amendments or interpretations that have been issued but are not yet effective. The Directors anticipate that the adoption of these standards will not result in significant changes to the Group's accounting policies. The Group has commenced its assessment of the impact of these standards but is not yet in a position to state whether these standards would have a material impact on its results of operations and financial position.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32).
- Recoverable amounts disclosures for non-financial assets (Amendments to IAS 36).
- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39).
- Defined Benefit Plans: Employee Contributions: Amendments to IAS 19.
- Annual Improvements to IFRSs 2010-2012 Cycle.
- Annual Improvements to IFRSs 2011-2013 Cycle.
- Annual Improvements to IFRSs 2012–2014 Cycle.
- IFRS 15 Revenue from Contracts with Customers.
- IFRS 9 Financial Instruments.

Capital reorganisation and the merger reserve

On 26 March 2014 the Company was formed to become the new holding company for the Group. This was put into effect through a share-for-share exchange as described in note 21.

The accounting treatment for group reorganisations is scoped out of IFRS 3. Accordingly, as required under IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors the Group has referred to current UK GAAP to assist its judgement in identifying a suitable accounting policy. The introduction of the new holding company has been accounted for as a capital reorganisation using the merger accounting principles prescribed under current UK GAAP. Therefore the consolidated financial statements of Shoe Zone plc are presented as if Shoe Zone plc has always been the holding company for the Group and the share capital treated as if issued in the earliest year presented.

The use of merger accounting principles has resulted in a balance on Group capital and reserves which has been classified as a merger reserve and included in the Group's shareholders' funds. The consolidated financial statements include the results of the Company and all its subsidiary undertakings made up to the same accounting date.

As part of the reorganisation distributions were made to Shoe Zone Group Limited prior to the reorganisation itself taking place.

Notes to the financial statements for the 52 weeks ended 4 October 2014 (continued)

1. Accounting policies (continued)

Revenue

Revenue is measured at the fair value of consideration received or receivable net of discounts, returns and VAT. Revenue from the sale of footwear is recognised when the company has transferred the significant risks and rewards of ownership to the buyer at the point of sale in the shop. At the point of sale a provision is made for the level of expected returns based on previous experience.

Internet sales are recognised when the goods have been paid for, despatched and received by the customer.

Investments

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

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as purchase price, cost includes directly attributable costs.

Depreciation is provided on all items of property, plant and equipment so as to write off their carrying value over the expected useful economic lives. It is provided at the following rates:

Leasehold improvements - 5-10 years on a straight line basis

Fixtures and fittings - 5-10 years on a straight line basis

Motor vehicles - 3-5 years on a straight line basis

No depreciation is provided against freehold land. Depreciation is provided against freehold shop properties writing off the original cost less estimated residual value over the useful economic life of the property which is estimated to be 50 years.

Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Shoe Zone plc Group (a ‘finance lease’), the asset is treated as if it had been purchased outright.

The amount initially recognised as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the consolidated income statement over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an ‘operating lease’), the total rentals payable under the lease are charged to the consolidated income statement on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

Notes to the financial statements for the 52 weeks ended 4 October 2014 (continued)

1. Accounting policies (continued)

Impairment of non-financial assets

The carrying values of non-financial assets are reviewed for impairment when there is an indication that assets might be impaired. When the carrying value of an asset exceeds its recoverable amount, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash generating unit (i.e. the smallest group of assets in which the asset belongs for which there are separable identifiable cash flows).

Impairment charges are included in the consolidated income statement, except to the extent they reverse previous gains recognised in the consolidated statement of comprehensive income.

Inventories

Inventories are initially recognised at cost on a first in first out basis, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Financial assets

The Group classified its financial assets into the categories, discussed below, due to the purpose for which the asset was acquired. The Group has not classified any of its financial assets as held to maturity.

Loans and receivables

Loans and receivable assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents included within the consolidated statement of financial position.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the consolidated income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Notes to the financial statements for the 52 weeks ended 4 October 2014 (continued)

1. Accounting policies (continued)

Financial liabilities

The Group classified its financial liabilities as other financial liabilities which include the following:

- bank loans which are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost ensuring the interest element of the borrowing is expensed over the repayment period at a constant rate; and

- trade payables, other borrowings and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities or assets are settled or recovered. Deferred tax balances are not discounted.

Deferred tax assets and liabilities are offset when the Group has legally enforceable or substantially current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company; or
- different company entities which intend to either settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets and liabilities are expected to be settled or recovered.

Provisions

Provision for dilapidations is made at the best estimate of the expenditure required to settle the obligation at the reporting date, where material, discounted at the pre-tax rate reflecting current market assessments of the time value of money and risks specific to the liability. This provision relates to the liability of wear and tear incurred on the leasehold properties and does not include any removal of shop refits as experience indicates that liabilities do not arise for removal of shop refits.

In case of onerous leases, the provision takes into account the potential that the properties in question may be sublet for some or all of the remaining lease term.

Derivative financial assets / liabilities

The fair value of any forward foreign exchange contracts is recognised within current assets/liabilities and any movement in the fair value is recognised through cost of sales.

Notes to the financial statements for the 52 weeks ended 4 October 2014 (continued)

1. Accounting policies (continued)

Foreign exchange

Transactions entered into the group entities in a currency other than the functional currency are recorded at the average rate prevailing during the period. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date.

Retirement benefits – defined contribution and benefit schemes

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

Contributions to defined contribution schemes are charged to the consolidated statement of comprehensive income in the year to which they relate.
Defined benefit scheme surpluses and deficits are measured at:

- the fair value of plan assets at the reporting date; less
- plan liabilities calculated using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities; plus
- unrecognised past service costs; less
- the effect of minimum funding requirements agreed with scheme trustees.

Re-measurements of the net defined obligation are recognised directly within equity. These include actuarial gains and losses, return on plan assets (interest exclusive), and any asset ceilings (interest exclusive).

Service costs are recognised in the income statement, and include current and past service costs as well as gains and losses on curtailments.

2. Critical accounting estimates and judgements

The Shoe Zone plc Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Judgements and accounting estimates and assumptions

Property, plant and equipment

Property, plant and equipment is depreciated over the useful lives of the assets. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are reviewed annually for continued appropriateness. The carrying values are tested for impairment when there is an indication that the value of the assets might be impaired. When carrying out impairment tests these would be based upon future cash flow forecasts and these forecasts would be based upon management judgement. Future events could cause the assumptions to change, therefore this could have an adverse effect on the future results of the Shoe Zone plc Group.

Notes to the financial statements for the 52 weeks ended 4 October 2014 (continued)

2. Critical accounting estimates and judgements (continued)

Defined benefit pension assumptions

The costs, assets and liabilities of the defined benefit schemes operated by the Shoe Zone plc Group are determined using methods relying on actuarial estimates and assumptions. Details of the key assumptions are detailed in note 24. The Shoe Zone plc Group takes advice from independent actuaries relating to the appropriateness of the assumptions. Changes in the assumptions used may have a significant effect on the consolidated statement of comprehensive income and the statement of financial position.

Dilapidation provisions

Leasehold dilapidations relate to the estimated cost of returning a leasehold property to its original state at the end of the lease in accordance with the lease terms. The main assumption is in relation to the expected costs of rectification of the wear and tear incurred. The Shoe Zone plc Group has a team managing the property portfolio and uses historical experience when making a provision.

Onerous leases

The Shoe Zone plc Group reviews its property leasing portfolio at each reporting date in order to assess and consider the need for onerous lease provisions where the property is either empty or where the rents payable are in excess of the expected rents on sub-leasing. Inherent uncertainties in measuring the provision relate to estimates of the amount of rent that will be received in the future on vacant property, and estimating future rents on property where the current sub-lease is of a shorter duration than the head lease.

3. Financial instruments – risk management

The Board has overall responsibility for the determination of the Group's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. The Group reports in Pound Sterling. All funding requirements and financial risks are managed based on policies and procedures adopted by the Board of Directors. The Group does use forward currency contracts to mitigate foreign exchange risk but does not apply hedge accounting. The Group does not issue or use financial instruments of a speculative nature.

The Group is exposed to the following financial risks

- credit risk;
- liquidity risk;
- foreign exchange risk; and
- interest rate risk.

The Group is exposed to risks that arise from its use of financial instruments. The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- trade and other receivables;
- cash and cash equivalents;
- forward foreign exchange contracts;
- related party loans;
- trade and other payables; and
- bank overdrafts.

Notes to the financial statements for the 52 weeks ended 4 October 2014 (continued)

3. Financial instruments – risk management (continued)

Fair value hierarchy

All financial instruments measured at fair value must be classified into one of the levels below:

Level 1: Quoted prices in active markets;

Level 2: Level 1 quoted prices are not allowable, but fair value is based on observable market data; and

Level 3: Inputs that are not based on observable market data.

- the fair value of plan assets at the reporting date; less
- plan liabilities calculated using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities; plus
- unrecognised past service costs; less
- the effect of minimum funding requirements agreed with scheme trustees.

Re-measurements of the net defined obligation are recognised directly within equity. These include actuarial gains and losses, return on plan assets (interest exclusive), and any asset ceilings (interest exclusive).

Service costs are recognised in the income statement, and include current and past service costs as well as gains and losses on curtailments.

A summary of the financial instruments held by category is provided below:

	52 weeks ended 4 October 2014	53 weeks ended 5 October 2013
	£'000	£'000
Financial assets		
Trade receivables	**381**	301
Other receivables	**119**	211
Cash and cash equivalents	**9,114**	6,552
Total loans and receivables	**9,614**	7,064
Derivative financial assets	**741**	-
Total financial assets at fair value through profit or loss	**741**	-

Notes to the financial statements for the 52 weeks ended 4 October 2014 (continued)

3. Financial instruments – risk management (continued)

	52 weeks ended 4 October 2014	52 weeks ended 5 October 2013
	£'000	£'000
Financial liabilities		
Trade and other payables	**23,811**	21,995
Loans and borrowings	**-**	1,668
Total financial liabilities at amortised cost	**23,811**	23,663
Derivative financial liabilities	**-**	528
Total financial liabilities at fair value through profit or loss	**-**	528

To the extent financial instruments are not carried at fair value in the consolidated statement of financial position, book value approximates to fair value at 4 October 2014 and 5 October 2013.

Trade and other receivables are measured at book value and amortised cost. Book values and expected cash flows are reviewed by the Board and any impairment charged to the consolidated statement of comprehensive income in the relevant period.

Cash and cash equivalents are held in Pound Sterling and placed on deposit in UK banks.

Trade and other payables are measured at book value and amortised cost.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counter-party to a financial instrument fails to meet its contractual obligations. At 4 October 2014 the Group has trade receivables of £381,000 (5 October 2013: £301,000).

Approximately 50% of the balance is with longstanding suppliers and will be recovered against orders placed for the upcoming season. The remainder is spread over a number of smaller suppliers with the largest balance below £75,000.

The Directors are unaware of any factors affecting the recoverability of outstanding balances at 4 October 2014 and previously and consequently no provisions have been made for bad and doubtful debts.

Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due.

To achieve this aim, it seeks to maintain cash balances to meet expected requirements for a period of at least 30 days.

Trade payables are repayable within 3 months and loans and borrowings are repayable as disclosed in note 17. The Group prepares and maintains detailed cash flow forecasts to monitor cash requirements and manage liquidity risk.

Notes to the financial statements for the 52 weeks ended 4 October 2014 (continued)

3. Financial instruments – risk management (continued)

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

	Up to 3 months	**Between 3 and 12 months**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
At 4 October 2014					
Trade and other payables	23,811	-	-	-	-
Loans and borrowings	-	-	-	-	-
Total	**23,811**	-	-	-	-

	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	£'000	£'000	£'000	£'000	£'000
At 5 October 2013					
Trade and other payables	21,995	-	-	-	-
Loans and borrowings	-	1,668	-	-	-
Total	21,995	1,668	-	-	-

Notes to the financial statements for the 52 weeks ended 4 October 2014 (continued)

3. Financial instruments – risk management (continued)

Foreign exchange risk

The Group is predominantly exposed to foreign exchange risk on purchases from major suppliers based in the Far East. Purchases are made on a central basis and the risk is mitigated through using forward foreign currency exchange contracts. These contracts will be executed within twelve months from the year end.

Interest rate risk

The Group is exposed to interest rate risk which is managed centrally. The Group reviews the exposure periodically and will manage its interest rate risk by reviewing appropriate facilities.

Capital management

In order to maintain or adjust the capital structure, the Group may adjust the value of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group's capital is made up of share capital, merger reserve and retained earnings totalling £31,731,000 (5 October 2013: £33,048,000).

The Group's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The capital structure of the Group consists of shareholders' equity as set out in the consolidated statement of changes in equity. All working capital requirements are financed from existing cash resources.

4. Revenue

	52 weeks ended 4 October 2014	53 weeks ended 5 October 2013
	£'000	£'000
Revenue arises from:		
Sales of goods	**172,861**	193,882

Notes to the financial statements for the 52 weeks ended 4 October 2014 (continued)

5. Expenses by nature

	52 weeks ended 4 October 2014 £'000	53 weeks ended 5 October 2013 £'000
Changes in inventories of finished goods	701	3,406
Finished goods	61,303	70,861
Duty and carriage charges on purchases	1,639	1,464
Employee benefit expenses	37,642	42,383
Depreciation of property, plant and equipment	4,527	6,424
Impairment of property, plant and equipment	-	73
Operating lease expense:		
Plant and machinery	725	833
Property	25,153	29,171
Loss on disposal of property, plant and equipment	108	50
Branch running costs	18,207	19,723
Transportation expenses	1,386	1,567
Advertising expenses	1,297	1,079
Financial instruments movement	(1,269)	338
IPO Costs	936	-
Obligation to Shoefayre on liquidation	-	2,938
Accelerated depreciation on closed Tyler/Shoefayre stores	-	382
Release of dilapidation provision on closed Tyler/Shoefayre stores	-	(1,214)
Redundancy costs on closed Tyler/Shoefayre stores	-	413
Other costs	9,937	8,684
	162,292	188,575

Notes to the financial statements for the 52 weeks ended 4 October 2014 (continued)

6. Auditor's remuneration

	52 weeks ended 4 October 2014	53 weeks ended 5 October 2013
	£'000	£'000
The audit of the parent company	4	4
The audit of the company's subsidiaries	51	41
IPO Costs	150	-
	205	45

7. Employee benefit expenses

	52 weeks ended 4 October 2014	53 weeks ended 5 October 2013
Employee benefit expenses (including Directors) comprise:	£'000	£'000
Wages and salaries	35,017	39,753
Social security costs	1,846	2,041
Other pension costs	779	589
	37,642	42,383

The average monthly number of employees during the period was as follows:

	52 weeks ended 4 October 2014	53 weeks ended 5 October 2013
	No.	No.
Sales and distribution	3,930	4,408
Directors	6	8
Administration	156	144
	4,092	4,560

Notes to the financial statements for the 52 weeks ended 4 October 2014 (continued)

7. Employee benefit expenses (continued)

	52 weeks ended 4 October 2014 £'000	53 weeks ended 5 October 2013 £'000
Directors' remuneration, included in staff costs:		
Salaries	757	876
Pension contributions	16	116
	773	992
Information regarding the highest paid Director is as follows:		
Salary	256	311
Pension contribution	-	50
	256	361

Notes to the financial statements for the 52 weeks ended 4 October 2014 (continued)

8. Segmental information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the management team including the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer.

The Board considers that each store is an operating segment but there is only one reporting segment as the stores qualify for aggregation, as defined under IFRS 8. Management reviews the performance of the Group by reference to total results against budget. The total profit measures are operating profit and profit for the year, both disclosed on the face of the consolidated income statement. No differences exist between the basis of preparation of the performance measures used by management and the figures in the Group financial statements.

	52 weeks ended 4 October 2014 £'000	53 weeks ended 5 October 2013 £'000
External revenue by location of customers:		
United Kingdom	**167,146**	187,562
Republic of Ireland	**5,715**	6,320
	172,861	193,882

There are no customers with turnover in excess of 10% or more of total turnover.

	52 weeks ended 4 October 2014 £'000	53 weeks ended 5 October 2013 £'000
Non-current assets by location:		
United Kingdom	**21,233**	24,636

Non-current assets held in the Republic of Ireland are not disclosed on the grounds of materiality.

Notes to the financial statements for the 52 weeks ended 4 October 2014 (continued)

9. Finance income and expenses

	52 weeks ended 4 October 2014 £'000	53 weeks ended 5 October 2013 £'000
Finance income		
Interest receivable	**33**	36
Total finance income	**33**	36
Finance expense		
Other loans	**(27)**	(75)
Other interest payable	**-**	(1)
Net interest expense on defined benefit pension scheme	**(76)**	(209)
Total finance expense	**(103)**	(285)

10. Income Tax

	52 weeks ended 4 October 2014 £'000	53 weeks ended 5 October 2013 £'000
Current tax expense		
Current tax on profits for the period	**1,845**	2,178
Adjustment for under provision in prior periods	**(33)**	(227)
Total current tax expense	**1,812**	1,951
Deferred tax expense		
Origination and reversal of temporary differences (note 20)	**647**	(350)
Tax charge on profit on ordinary activities	**2,459**	1,601

Notes to the financial statements for the 52 weeks ended 4 October 2014 (continued)

10. Income Tax (continued)

The reason for the difference between the actual tax charge for the period and the standard rate of corporation tax in the United Kingdom applied to profit for the period as follows:

	52 weeks ended 4 October 2014	53 weeks ended 5 October 2013
	£'000	£'000
Profit for the period	**8,040**	3,457
Income tax expense	**2,459**	1,601
Profit before income taxes	**10,499**	5,058
Expected tax charge based on corporation tax rate of 22% (5 October 2013: 23.5%)	**2,310**	1,189
Expenses not deductible for tax purposes	**197**	(72)
Effective change of rate	**(50)**	(301)
Unrecognised deferred tax movement	**(107)**	135
Adjustments to tax charge in respect of previous period	**109**	(117)
Taxation on obligation to Shoefayre on liquidation	**-**	767
Total tax expense	**2,459**	1,601

Factors that may affect future tax charges:

In addition to the changes in rates of corporation tax disclosed above, further changes to the UK Corporation tax rates were substantively enacted as part of the Finance Bill 2013 on 2 July 2013. These include reductions to the main rate to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015. Deferred tax has been calculated at 20% being the rate applying from April 2015.

11. Dividends

	52 weeks ended 4 October 2014	53 weeks ended 5 October 2013
	£'000	£'000
Dividends paid prior to group reorganisation	**5,002**	

A final dividend of 3.6 pence per share is proposed for shareholders on the register on 13 February 2015 payable on 11 March 2015 following approval at the Annual General Meeting on 27 February 2015.

Notes to the financial statements for the 52 weeks ended 4 October 2014 (continued)

12. Property, plant and equipment

	Freehold properties	Short leasehold and leasehold improvements	Motor vehicles	Fixtures and fittings	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 29 September 2012	11,525	18,423	49	32,714	62,711
Additions	198	721	-	1,748	2,667
Disposals	(300)	(2,173)	(44)	(5,071)	(7,588)
At 5 October 2013	11,423	16,971	5	29,391	57,790
Additions	-	691	-	1,244	1,935
Disposals	(756)	(751)	-	(608)	(2,115)
At 4 October 2014	**10,667**	**16,911**	**5**	**30,027**	**57,610**
Depreciation					
At 29 September 2012	875	10,034	43	22,908	33,860
Charge for the period	-	2,546	1	3,877	6,424
Impairment	73	-	-	-	73
Disposals	-	(2,098)	(39)	(5,066)	(7,203)
At 5 October 2013	948	10,482	5	21,719	33,154
Charge for the period	58	1,850	-	2,619	4,527
Disposals	-	(750)	-	(554)	(1,304)
At 4 October 2014	**1,006**	**11,582**	**5**	**23,784**	**36,377**
Net book value					
At 4 October 2014	**9,661**	**5,329**	**-**	**6,243**	**21,233**
At 5 October 2013	10,475	6,489	-	7,672	24,636
At 29 September 2012	10,650	8,389	6	9,806	28,851

Notes to the financial statements for the 52 weeks ended 4 October 2014 (continued)

13. Inventories

	4 October 2014	5 October 2013
	£'000	£'000
Goods for resale	29,073	29,774
Shop fitting materials and other consumables	108	185
	29,181	29,959

14. Trade and other receivables

	4 October 2014	5 October 2013
	£'000	£'000
Trade receivables	381	301
Prepayments	7,877	8,181
Other receivables	119	211
	8,377	8,693

15. Derivative financial instruments

At the balance sheet date, details of the forward foreign exchange contracts that the Group has committed to are as follows:

	4 October 2014	5 October 2013
	£'000	£'000
Derivative financial assets		
Derivatives not designated as hedging instruments		
Forward foreign exchange contacts	741	-
Derivative financial liabilities		
Derivatives not designated as hedging instruments		
Forward foreign exchange contacts	-	528

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets/liabilities in the consolidated statement of financial position.

The notional principal amounts of outstanding forward foreign exchange contracts at 4 October 2014 were $51,000,000 (5 October 2013: $46,500,000). The fair value of the forward foreign exchange contracts are within the level 2 of the fair value hierarchy and have been valued on the basis of observable market data. The key input into the valuation are market rates of financial instruments at the balance sheet date.

Notes to the financial statements for the 52 weeks ended 4 October 2014 (continued)

16. Trade and other payables

	4 October 2014	5 October 2013
	£'000	£'000
Current		
Trade payables	14,351	12,643
Social security and other taxes	1,049	1,099
Other payables	123	219
Accruals	10,397	9,928
	25,920	23,889

	4 October 2014	5 October 2013
	£'000	£'000
Non-current		
Other payables	3,766	4,773
	3,766	4,773

17. Loans and borrowings

	4 October 2014	5 October 2013
	£'000	£'000
Current		
Related party loans	-	1,668
Total loans and borrowings	-	1,668

Notes to the financial statements for the 52 weeks ended 4 October 2014 (continued)

18. Provisions

	Customer Returns	Onerous Leases	Dilapidations	Total
	£'000	£'000	£'000	£'000
As at 5 October 2013	400	36	1,194	1,630
Additions	372	-	569	941
Amounts utilised	(400)	(36)	(378)	(814)
Amounts released	-	-	(328)	(328)
As at 4 October 2014	**372**	**-**	**1,057**	**1,429**

The provisions are aged as follows:

	Customer Returns	Onerous Leases	Dilapidations	Total
	£'000	£'000	£'000	£'000
Current	372	-	587	959
Non-current	-	-	470	470
As at 4 October 2014	**372**	**-**	**1,057**	**1,429**

For all products, the Group has incurred an obligation to exchange the item if it is faulty due to a lack of quality or give the client a refund if they are not satisfied. Revenue from the sale of the products is recognised once the product is sold, however, a provision for customer returns based on previous experience is recognised at the same time.

Onerous leases relate to the excess of rents payable over rents receivable on sub-let retail space and rents payable on retail premises which have been closed and not sub-let. Inherent uncertainties in measuring the provision relate to estimates of the rent that will be received in the future on vacant property, and estimating future rents on property where the current sub-lease is of a shorter duration than the head lease.

Leasehold dilapidations relate to the estimated cost of returning a leasehold property to its original state at the end of the lease in accordance with the lease terms. The main uncertainty relates to estimating the cost that will be incurred at the end of the lease.

19. Contingent liabilities

The Shoe Zone plc Group and subsidiary undertakings have given a duty deferment guarantee in favour of HM Revenue and Customs amounting to £1,600,000 (5 October 2013: £1,600,000).

Notes to the financial statements for the 52 weeks ended 4 October 2014 (continued)

20. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 20% (5 October 2013: 20%).

The movement on the deferred tax account is as shown below:

	4 October 2014	5 October 2013
	£'000	£'000
At beginning of the period	(343)	157
Recognised in income statement: Tax expense (note 10)	(647)	350
Recognised in other comprehensive income: Actuarial loss/(gain) on defined benefit pension schemes	474	(850)
At end of the period	(516)	(343)

The deferred tax has arisen due to the following:

	4 October 2014	5 October 2013
	£'000	£'000
Accelerated capital allowances	1,254	1,272
Ineligible buildings	(2,575)	(3,006)
Short term timing differences	(148)	843
Defined benefit pension scheme	953	548
	(516)	(343)

The Group has an unrecognised deferred tax asset of £994,000 at 4 October 2014 (5 October 2013: £1,088,000)

21. Share capital

	4 October 2014	5 October 2013
	£'000	£'000
Share capital issued and fully paid		
50,000,000 ordinary shares of 1p each	500	500
	500	500

Ordinary shares carry the right to one vote per share at general meetings of the company and the rights to share in any distribution of profits or returns of capital and to share in any residual assets available for distribution in the event of a winding up.

Notes to the financial statements for the 52 weeks ended 4 October 2014 (continued)

21. Share capital (continued)

Shoe Zone plc authorised share capital is unlimited.

The Company was incorporated on 26 March 2014 as a private company limited by shares under the name Shoe Zone (Holdings) Limited. On 30 April 2014, the Company was re-registered as a public limited company with the name Shoe Zone plc.

The Company was incorporated with an issued share capital of £1.00 comprising one ordinary share of £1.00 which was issued to Shoe Zone Group Limited on incorporation.

The following changes to the issued share capital of the Company have taken place between 26 March 2014 (being the date of the Company's incorporation) and 20 May 2014:

1. on 24 April 2014, the Company allotted and issued 13 ordinary shares of £1.00 each, fully paid up, to the SZGL, the entire issued share capital of the Company immediately following that allotment and issue was consolidated into one ordinary share of £14.00 and, thereafter, subdivided into 10 ordinary shares of £1.40 each;

2. on 24 April 2014, the Company allotted and issued 49,999,990 ordinary shares of £1.40 each, fully paid up, in consideration of the acquisition by the Company of the entire issued share capital of Shoe Zone Retail Limited, Castle Acres Development Limited and Zone Group Limited pursuant to the Share Exchange Agreement. The aggregate premium paid on such shares was £585,576.54; and

3. on 28 April 2014, the Company undertook a share capital reduction by way of solvency statement pursuant to which the Company (i) reduced the amount paid up on each ordinary share of £1.40 by £1.39; and (ii) reduced the entire amount standing to the credit of its share premium account. Following this share capital reduction, the Company's issued share capital was £500,000 comprising 50,000,000 Ordinary Shares.

	Total issued share capital (number)			Total issued share capital (£)		
	Ordinary £1 shares	Ordinary £1.40 shares	New ordinary 1p shares	Ordinary £1 shares	Ordinary £1.40 shares	New ordinary 1p shares
Issued share capital on incorporation	1	-	-	1	-	-
Allocated and issued shares to the Selling Shareholders	13	-	-	13	-	-
Shares subdivided	(14)	10	-	(14)	14	-
Share for share exchange	-	49,999,990	-	-	69,999,986	-
	-	50,000,000	-	-	70,000,000	-
Capital reduction by £1.39 and re-designate as new shares	-	(50,000,000)	50,000,000	-	(70,000,000)	500,000
Shoe Zone plc shares as at 4 October 2014	-	-	**50,000,000**	-	-	**500,000**

Notes to the financial statements for the 52 weeks ended 4 October 2014 (continued)

22. Leases

Operating leases – lessee

The Shoe Zone plc Group has entered into commercial leases on land and buildings. These leases have an average life of between five and ten years. There are no restrictions placed on the Shoe Zone plc Group by entering into these leases. The total future minimum lease payments under non-cancellable operating leases for land and buildings and other items of plant and machinery are as follows:

	Land and buildings 4 October 2014 £'000	Land and buildings 5 October 2013 £'000	**Other 4 October 2014 £'000**	Other 5 October 2013 £'000
Not later than one year	**22,866**	25,130	**562**	547
Later than one year and not later than five years	**59,867**	70,314	**798**	668
Later than five years	**19,516**	30,258	**4**	29
	102,249	125,702	**1,364**	1,244

23. Capital Commitments

	4 October 2014 £'000	5 October 2013 £'000
Contracted for but not provided	**57**	18

Notes to the financial statements for the 52 weeks ended 4 October 2014 (continued)

24. Pension costs

Defined contribution scheme

The Group operates a defined contribution pension scheme namely Zone Executive Pension Scheme which had contributions during the period of £nil (5 October 2013: £100,000). During the year the Shoe Zone Worksave Pension Plan contributions amounted to £779,000 (5 October 2013: £217,000).

Defined benefit scheme

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 was £nil (5 October 2013: £272,000).

The Group also operated a pension scheme in the Republic of Ireland: the Shoe Zone (Ireland) Pension Scheme. Full disclosure of this scheme is not contained in these financial 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: 00272480.

On 25 April 2013 Shoe Zone (Ireland) Limited gave notice to the Trustees that all contributions would cease. The Trustees resolved to proceed with the administration of benefits as required in accordance with the wind-up rules and the Pensions Act. The historical deficit has been released to the Statement of Other Comprehensive Income to reflect this.

The schemes are exposed to a number of risks, including:

- Investment risk: movement of discount rate used (high quality corporate bonds) against the return from plan assets
- Interest rate risk: decreases/increases in the discount rate used (high quality corporate bonds) will increase/decrease the defined benefit obligation
- Longevity risk: changes in the estimation of mortality rates of current and former employees.

Notes to the financial statements for the 52 weeks ended 4 October 2014 (continued)

24. Pension costs (continued)

Amounts recognised in the balance sheet at 4 October 2014

	4 October 2014	5 October 2013
	£'000	£'000
Fair value of assets	71,306	67,809
Present value of funded obligations	(76,072)	(69,662)
Deficit	(4,766)	(1,853)
Schemes in surplus which have not been recognised	-	891
Schemes recognised as a liability	(4,766)	(2,744)

Amounts recognised in other comprehensive income

	4 October 2014	5 October 2013
	£'000	£'000
Return on plan assets	2,592	2,243
Actuarial (loss)/gain arising from changes in:		
Demographic assumptions	-	4,420
Financial assumptions	(5,854)	(1,269)
Experience	-	(1,647)
Effect of limiting net defined benefit asset	891	(891)
Total actuarial (loss)/gain	(4,963)	613
Deferred tax on employee benefit scheme	474	(850)
Shoe Zone (Ireland) historical deficit	-	432
Total amount recognised in other comprehensive income	(1,897)	2,438

Notes to the financial statements for the 52 weeks ended 4 October 2014 (continued)

24. Pension costs (continued)

The figures below are based on a full actuarial valuation performed in April 2013 and March 2013 for the Shoe Zone and Shoefayre schemes respectively which was carried out by a qualified independent actuary. This actuarial valuation has been updated to 4 October 2014 for the purpose of calculating the pension surplus and disclosures in the current period.

Financial assumptions

	4 October 2014	5 October 2013
	%	%
Deferred pension revaluation	**2.40**	2.50
Pension increases	**3.40**	3.50
Discount rate	**4.00**	4.55
Consumer Price Index	**2.40**	2.50
Retail Price Index	**3.40**	3.50

Post retirement mortality

	4 October 2014	5 October 2013
Life expectancy	**Years**	Years
Male currently aged 45	**90**	90
Female currently aged 45	**92**	92
Male currently aged 65	**88**	88
Female currently aged 65	**90**	90

Notes to the financial statements for the 52 weeks ended 4 October 2014 (continued)

24. Pension costs (continued)

Defined benefit scheme - Shoe Zone Pension Scheme

Assets

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

Asset Category	4 October 2014	5 October 2013
Equities	**27%**	29%
Property	**9%**	7%
Gilts/ bonds	**40%**	38%
Target Return Funds	**24%**	26%
	100%	100%

The actual return on the Scheme's assets net of expenses over the period to the review date was a gain of £3,349,000 (5 October 2013: £2,845,000).

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 available on high quality corporate bonds in line with the method used to value the liabilities. 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.

Amounts recognised in the income statement over the period

	4 October 2014	5 October 2013
	£'000	£'000
Interest cost	**(1,771)**	(1,806)
Expected return on assets	**1,811**	1,779
	40	(27)

Notes to the financial statements for the 52 weeks ended 4 October 2014 (continued)

24. Pension costs (continued)

Defined benefit scheme - Shoe Zone Pension Scheme (continued)

Amounts recognised in the statement of financial position

	4 October 2014	5 October 2013
	£'000	£'000
Fair value of assets	42,423	40,513
Present value of funded obligations	(43,217)	(39,622)
(Deficit)/surplus	(794)	891
Schemes in surplus which have not been recognised	-	891
Schemes recognised as a liability	(794)	-

Amounts recognised in other comprehensive income

	4 October 2014	5 October 2013
	£'000	£'000
Return on plan assets	1,538	1,066
Actuarial (loss)/gain arising from changes in:		
Demographic assumptions	-	2,535
Financial assumptions	(3,263)	(226)
Experience	-	(1,077)
Effect of limiting net defined benefit asset	891	(891)
Total actuarial (loss)/gain	(2,372)	341
Deferred tax on employee benefit scheme	167	(460)
Total amount recognised in other comprehensive income	(667)	947

Notes to the financial statements for the 52 weeks ended 4 October 2014 (continued)

24. Pension costs (continued)

Defined benefit scheme - Shoe Zone Pension Scheme (continued)

Reconciliation of assets and defined benefit obligation

The change in assets over the period was:

	4 October 2014	5 October 2013
	£'000	£'000
Fair value of assets at the beginning of the period	40,513	39,092
Expected return on assets	1,811	1,779
Benefits paid	(1,439)	(1,424)
Actuarial gain	1,538	1,066
Fair value of assets at the end of the period	42,423	40,513

The change in defined benefit obligation over the period was:

	4 October 2014	5 October 2013
	£'000	£'000
Defined benefit obligation at the beginning of the period	39,622	40,472
Interest cost	1,771	1,806
Benefits paid	(1,439)	(1,424)
Actuarial loss/(gain)	3,263	(1,232)
Defined benefit obligation at the end of the period	43,217	39,622

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

Notes to the financial statements for the 52 weeks ended 4 October 2014 (continued)

24. Pension costs (continued)

Defined Benefit Scheme - Shoe Zone Pension Scheme (continued)

Sensitivity of the value placed on the liabilities:

Adjustments to assumptions	Approximate effect on liabilities
Discount rate	
Plus 0.50%	-8%
Minus 0.50%	+9%
Inflation	
Plus 0.50%	+2%
Minus 0.50%	-2%
Life Expectancy	
Plus 0.50%	+2%
Minus 0.50%	-2%

Note that the above sensitivities are approximate and only show the likely effect of an assumption being adjusted whilst all other assumptions remain the same.

Defined benefit scheme - Shoefayre Limited Pension and Life Assurance Scheme

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

Asset Category	4 October 2014	5 October 2013
Equities	**16%**	27%
Property	**11%**	8%
Gilts/ bonds	**46%**	42%
Target Return Funds	**27%**	23%
	100%	100%

Notes to the financial statements for the 52 weeks ended 4 October 2014 (continued)

24. Pension costs (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 £2,280,000 (5 October 2013: £2,337,000). 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 available on high quality corporate bonds in line with the method used to value the liabilities. 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.

Amounts recognised in the statement of financial position

	4 October 2014	5 October 2013
	£'000	£'000
Fair value of assets	**28,883**	27,296
Present value of funded obligations	**(32,855)**	(30,040)
Net liability	**(3,972)**	(2,744)

Amounts recognised in other comprehensive income

	4 October 2014	5 October 2013
	£'000	£'000
Return on plan assets	**1,054**	1,177
Actuarial (loss)/gain arising from changes in:		
Demographic assumptions	**-**	1,885
Financial assumptions	**(2,591)**	(1,043)
Experience	**-**	(570)
Total actuarial (loss)/gain	**(2,591)**	272
Deferred tax on employee benefit scheme	**307**	290
Total amount recognised in other comprehensive income	**(1,230)**	1,739

Notes to the financial statements for the 52 weeks ended 4 October 2014 (continued)

24. Pension costs (continued)

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

Amounts recognised in the income statement over the period

	4 October 2014	5 October 2013
	£'000	£'000
Interest cost	(1,342)	(1,342)
Expected return on assets	1,226	1,160
	(116)	(182)

Reconciliation of assets and defined benefit obligation

The change in assets over the period was:

	4 October 2014	5 October 2013
	£'000	£'000
Fair value of assets at the beginning of the period	27,296	25,499
Expected return on assets	1,226	1,160
Employer contributions	425	600
Benefits paid	(1,118)	(1,140)
Actuarial gain on assets	1,054	1,177
Fair value of assets at the end of the period	28,883	27,296

The change in defined benefit obligation over the period was:

	4 October 2014	5 October 2013
	£'000	£'000
Defined benefit obligation at the beginning of the period	30,040	30,110
Interest cost	1,342	1,342
Benefits paid	(1,118)	(1,140)
Actuarial loss/(gain)	2,591	(272)
Defined benefit obligation at the end of the period	32,855	30,040

Contributions of £300,000 are expected to be made during the year ended 3 October 2015 by Shoe Zone Retail Limited.

Notes to the financial statements for the 52 weeks ended 4 October 2014 (continued)

24. Pension costs (continued)

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

Sensitivity of the value placed on the liabilities:

Adjustments to assumptions	Approximate effect on liabilities
Discount rate	
Plus 0.50%	-8%
Minus 0.50%	+10%
Inflation	
Plus 0.50%	+6%
Minus 0.50%	-5%
Life Expectancy	
Plus 0.50%	+2%
Minus 0.50%	-2%

Note that the above sensitivities are approximate and only show the likely effect of an assumption being adjusted whilst all other assumptions remain the same.

Notes to the financial statements for the 52 weeks ended 4 October 2014 (continued)

25. Cash and cash equivalents

Cash and cash equivalents for the purpose of the statement of cash flow comprise:

	4 October 2014 £'000	5 October 2013 £'000
Cash at banks and in hand	**9,114**	6,552
Cash and cash equivalents	**9,114**	6,552

26. Related party transactions

Balances and transactions between the company and its subsidiaries, which are related parties of the company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Included within loans and borrowings due within one year are the following loans due to related parties:

	4 October 2014 £'000	5 October 2013 £'000
Key management personnel	**-**	1,688

Notes to the financial statements for the 52 weeks ended 4 October 2014 (continued)

26. Related party transactions (continued)

During the period, the Group entities entered into the following trading transactions with key management personnel:

	4 October 2014	5 October 2013
	£'000	£'000
Interest paid	**27**	75

During the period, the Group entities entered into the following trading transactions with Group pension schemes:

	4 October 2014	5 October 2013
	£'000	£'000
Rent paid Zone Executive Pension Scheme	**152**	88
Contributions to the:		
Zone Executive Pension Scheme	**-**	100
Shoe Zone Worksave Pension Plan	**779**	217
Shoe Zone Pension Scheme	**-**	272
Shoefayre Limited Pension and Life Assurance Scheme	**425**	600
	1,356	1,277

Notes to the financial statements for the 52 weeks ended 4 October 2014 (continued)

26. Related party transactions (continued)

During the period, the Group entities committed and provided for a charitable donation to a trust in which the Directors are trustees:

	4 October 2014	5 October 2013
	£'000	£'000
Charitable donation	**-**	100

During the period, the key management personnel remuneration included within staff costs are as follows:

	4 October 2014	5 October 2013
	£'000	£'000
Short term employee benefits	**757**	876
Post-employment benefit	**16**	116
Employers national insurance	**83**	96
	856	1,088

Key management personnel are considered to be the Directors of Shoe Zone plc.

Notes to the financial statements for the 52 weeks ended 4 October 2014 (continued)

27. Earnings per share

Earnings per share is calculated by dividing profit for the year by the weighted average number of shares outstanding during the year.

	4 October 2014	5 October 2013
	£'000	£'000
Numerator		
Profit for the year and earnings used in basic and diluted EPS	**8,040**	3,457

	4 October 2014	5 October 2013
Denominator		
Weighted average number of shares used in basic and diluted EPS	**50,000,000**	50,000,000

28. Ultimate controlling party

The company is controlled by Shoe Zone Group Limited. Shoe Zone Group Limited is controlled by the Smith family albeit there is not a single controlling party.

Notes to the financial statements for the 52 weeks ended 4 October 2014 (continued)

29. First time adoption of IFRS

The Shoe Zone plc Group has prepared financial statements which comply with IFRS applicable for period ending on or after 4 October 2014, together with the comparative period data as at and for the year ended 5 October 2013, as described in the summary of significant accounting policies. In preparing the financial statements, the Group's opening balance sheet was prepared as at 30 September 2012, the Group's date of transition to IFRS. This note explains the principal adjustments made by the Shoe Zone plc Group in restating its UK GAAP financial statements, including the balance sheet as at 29 September 2012 and the financial statements as at and for the year ended 5 October 2013.

IFRS 1 allows first time adopters certain exemptions from the retrospective application of certain requirements under IFRS. The Shoe Zone plc Group has applied the following exemptions:

- IFRS 3 Business Combinations has not been applied to acquisitions of subsidiaries which are considered businesses for IFRS or of interest in joint ventures that occurred before 29 September 2012. Use of this exemption means that the UK GAAP carrying amounts of assets and liabilities, that are to be recognised under IFRS, is their deemed cost at the date of acquisition. After the date of acquisition, measurement is in accordance with IFRS. Assets and liabilities which do not qualify for recognition under IFRS are excluded from the opening IFRS balance sheet. The Shoe Zone plc Group did not recognise or exclude any previously recognised amounts as a result of IFRS recognition requirements; and

- the estimates at each period end are consistent with those made for the same dates in accordance with UK GAAP (after adjustments to reflect any differences in accounting policies). The estimates used by the Shoe Zone plc Group to present these amounts in accordance with IFRS reflect conditions as at 29 September 2012, the date of transition to IFRS and as of 5 October 2013.

Notes to the financial statements for the 52 weeks ended 4 October 2014 (continued)

29. First time adoption of IFRS (continued)

Reconciliation of equity as at 5 October 2013

	Note	UK GAAP	Adjustments	IFRS as at 5 October 2013
		£'000	£'000	£'000
Assets				
Non-current assets				
Property, plant and equipment	A	24,960	(324)	24,636
Total non-current assets		24,960	(324)	24,636
Current assets				
Inventories		29,959	-	29,959
Trade and other receivables	A, B	9,659	(966)	8,693
Cash and cash equivalents		6,552	-	6,552
Total current assets		46,170	(966)	45,204
Total assets		71,130	(1,290)	69,840
Current liabilities				
Trade and other payables	E, F	(23,970)	81	(23,889)
Loan and borrowings		(1,668)	-	(1,668)
Provisions for liabilities and charges	D	-	(764)	(764)
Derivative financial liabilities	C	-	(528)	(528)
Corporation tax liability		(1,217)	-	(1,217)
Total current liabilities		(26,855)	(1,211)	(28,066)
Non-current liabilities				
Trade and other payables	F	(1,728)	(3,045)	(4,773)
Provisions for liabilities and charges	D, E	(1,762)	896	(866)
Employee benefit liability	H	(2,196)	(548)	(2,744)
Deferred tax liability	B, H	-	(343)	(343)
Total non-current liabilities		(5,686)	(3,040)	(8,726)
Total liabilities		(32,541)	(4,251)	(36,792)
Net assets		38,589	(5,541)	33,048
Issued capital and reserves attributable to owners of the parent				
Called up share capital		500	-	500
Merger reserve		2,662	-	2,662
Retained earnings		35,427	(5,541)	29,886
Equity attributable to equity holders of the parent		38,589	(5,541)	33,048
Non-controlling interest		-	-	-
Total equity and reserves		38,589	(5,541)	33,048

Notes to the financial statements for the 52 weeks ended 4 October 2014 (continued)

29. First time adoption of IFRS (continued)

Reconciliation of total comprehensive income for the year ended 5 October 2013

	Note	UK GAAP	Adjustments	IFRS as at 5 October 2013
		£'000	£'000	£'000
Revenue		193,882	-	193,882
Cost of sales	C, F, G	(165,713)	(726)	(166,439)
Gross profit		28,169	(726)	27,443
Administration expenses		(16,108)	-	(16,108)
Distribution expenses		(6,028)	-	(6,028)
Operating profit		6,033	(726)	5,307
Finance expense	G	(76)	(209)	(285)
Finance income		36	-	36
Other finance income	G	537	(537)	-
Profit before tax from continuing operations		6,530	(1,472)	5,058
Income tax expenses		(2,711)	1,110	(1,601)
Profit for the year		3,819	(362)	3,457
Attributable to:				
Equity holders of the parent		3,819	(362)	3,457
		3,819	(362)	3,457
Other comprehensive income				
Actuarial gain/(loss) on pension schemes	G	2,543	745	3,288
Movement on deferred tax relating to pension schemes	G	(701)	(149)	(850)
Total other comprehensive income		1,842	596	2,438
Total comprehensive income for the year		5,661	234	5,895
Total comprehensive income attributable to:				
Equity holders of the parent		5,661	234	5,895
		5,661	234	5,895

Notes to the financial statements for the 52 weeks ended 4 October 2014 (continued)

29. First time adoption of IFRS (continued)

Notes to the reconciliation of equity and income statement for the 53 week period ended 5 October 2013:

A. *Property, plant and equipment* – long leasehold properties of £324,000 was previously included under UK GAAP within property, plant and equipment which has been reclassified under IFRS under trade and other receivables as a prepayment.

B. *Deferred tax* – a deferred tax asset of £1,290,000 previously included under UK GAAP within trade and other receivables in current assets has been transferred to deferred tax liabilities within non-current liabilities. The total deferred tax asset has been reduced by £2,182,000 as a result of the recognition of deferred tax on IFRS adjustments and as a result of recognising deferred tax on temporary differences arising from, in the main, the Group's property portfolio.

C. *Other derivative financial assets* – under IFRS the fair value of the foreign exchange contracts in existence but not settled have been included on the statement of financial position within derivative financial liabilities. Included within current liabilities is £528,000 which has resulted in a reduction in profit for the year recognised in the income statement of £338,000 after the release of the opening position of £190,000.

D. *Provisions* – under UK GAAP all provisions were included as a non-current liability. Under IFRS a provision for £764,000 is considered to be due within one year and is included as due within current liabilities. There is no change in profit for the year.

E. *Trade and other payables* – as a result of the transfer to IFRS the Group has reclassified its holiday pay accrual of £132,000 from provisions to trade and other payables. There is no change in profit for the year.

F. *Trade and other payables* – under UK GAAP the Group has recognised rent free periods on operating leases within trade and other payables and has released this through to the income statement over the period up to the first break clause. Under IFRS the release period is required to be the term of the lease. This has resulted in an increase in trade and other payables of £2,830,000 and a reduction in the amount released to the income statement by £388,000.

G. *Defined benefit pension schemes/finance income/finance expense* – under IFRS the expected return of assets of pension scheme assets recognised is based upon the discount rate which differs to the treatment under UK GAAP. As a result an additional charge of £745,000 has been recognised within the income statement and a corresponding reduction has been made within other comprehensive income. The associated deferred tax movement of £149,000 has increased the value of other comprehensive income and has increased income tax expenses within the income tax expense.

   Under UK GAAP the other finance income, which relates through to the expected return on pensions assets less the interest cost on pension liabilities, is included separately on the face of the income statement. Under IFRS this is included net within either finance income or finance expense.

   This has resulted in an increase in the finance expense of £537,000 and a reduction in other finance income of £537,000. There is no profit effect.

H. *Defined benefit pension schemes* – Under IFRS, the deferred tax asset/(liability) in relation to the employee benefit pension scheme is not netted off against the employee benefit asset/(liability).

   Instead, it is included within the deferred tax balance. This has resulted in an increase to the employee benefit liability within non-current liabilities and a reduction to the deferred tax liability within non-current liabilities of £548,000.

Statement of cash-flows – the transition from UK GAAP to IFRS has not had a material impact on the statement of cash-flows.

Notes to the financial statements for the 52 weeks ended 4 October 2014 (continued)

29. First time adoption of IFRS (continued)

Reconciliation of equity as at 29 September 2012

	Note	UK GAAP	Adjustments	IFRS as at 29 September 2012
Assets		£'000	£'000	£'000
Non-current assets				
Property, plant and equipment	A	29,175	(324)	28,851
Deferred tax asset	B, H	-	157	157
Total non-current assets		29,175	(167)	29,008
Current assets				
Inventories		33,416	-	33,416
Trade and other receivables	A, B	11,576	(1,499)	10,077
Cash and cash equivalents		8,685	-	8,685
Total current assets		53,677	(1,499)	52,178
Total assets		82,852	(1,666)	81,186
Current liabilities				
Trade and other payables	E, F	(31,999)	158	(31,841)
Loan and borrowings		(2,933)	-	(2,933)
Provisions for liabilities and charges	D	-	(3,167)	(3,167)
Derivative financial liabilities	C	-	(189)	(189)
Corporation tax liability		(2,041)	-	(2,041)
Total current liabilities		(36,973)	(3,198)	(40,171)
Non-current liabilities				
Loans and borrowings		(1,000)	-	(1,000)
Trade and other payables	F	(2,769)	(2,792)	(5,561)
Provisions for liabilities and charges	D, E	(4,236)	3,357	(879)
Employee benefit liability	H	(4,946)	(1,476)	(6,422)
Total non-current liabilities		(12,951)	(911)	(13,862)
Total liabilities		(49,924)	(4,109)	(54,033)
Net assets		32,928	(5,775)	27,153
Issued capital and reserves attributable to owners of the parent				
Called up share capital		500	-	500
Merger reserve		2,662	-	2,662
Retained earnings		29,766	(5,775)	23,991
Equity attributable to equity holders of the parent		32,928	(5,775)	27,153
Total equity and reserves		32,928	(5,775)	27,153

Notes to the financial statements for the 52 weeks ended 4 October 2014 (continued)

29. First time adoption of IFRS (continued)

Reconciliation of total comprehensive income for the year ended 29 September 2012

	Note	UK GAAP	Adjustments	IFRS as at 29 September 2012
		£'000	£'000	£'000
Revenue		221,114	-	221,114
Cost of sales	F	(197,130)	(496)	(197,626)
Gross profit		23,984	(496)	23,488
Administration expenses		(12,391)	(1)	(12,392)
Distribution expenses		(6,530)	-	(6,530)
Operating profit		5,063	(497)	4,566
Finance expense	C, G	(203)	(845)	(1,048)
Finance income		7	-	7
Other finance income	G	439	(439)	-
Profit before tax from continuing operations		5,306	(1,781)	3,525
Income tax expenses		(2,067)	1,575	(492)
Profit for the year		3,239	(206)	3,033
Attributable to:				
Equity holders of the parent		3,239	(206)	3,033
		3,239	(206)	3,033
Other comprehensive income				
Actuarial gain/(loss) on pension schemes	G	(4,649)	973	(3,676)
Movement on deferred tax relating to pension schemes	G	1,034	(224)	810
Total other comprehensive income		(3,615)	749	(2,866)
Total comprehensive income for the year		(376)	543	167
Total comprehensive income attributable to:				
Equity holders of the parent		(376)	543	167
		(376)	543	167

Notes to the financial statements for the 52 weeks ended 4 October 2014 (continued)

29. First time adoption of IFRS (continued)

Notes to the reconciliation of equity and income statement for the 52 week period ended 29 September 2012:

A. *Property, plant and equipment* – long leasehold properties of £324,000 was previously included under UK GAAP within property, plant and equipment which has been reclassified under IFRS under trade and other receivables as a prepayment.

B. *Deferred tax* – a deferred tax asset of £1,823,000 previously included under UK GAAP within trade and other receivables in current assets has been transferred to deferred tax asset within non-current assets. The total deferred tax asset has been reduced by £3,143,000 as a result of the recognition of deferred tax on IFRS adjustments and as a result of recognising deferred tax on temporary differences arising from, in the main, the Group's property portfolio.

C. *Other derivative financial assets* – under IFRS the fair value of the foreign exchange contracts in existence but not settled have been included on the statement of financial position. Included within current liabilities is £189,000 which has resulted in a reduction in profit for the year recognised in the income statement of £311,000 after the release of the opening position of £121,000.

D. *Provisions* – under UK GAAP all provisions were included as a non-current liability. Under IFRS a provision for £3,167,000 is considered to be due within one year and is included as due within current liabilities. There is no change in profit for the year.

E. *Trade and other payables* – as a result of the transfer to IFRS the Group has reclassified its holiday pay accrual of £190,000 from provisions. There is no change in profit for the year.

F. *Trade and other payables* – under UK GAAP the Group has recognised rent free periods on operating leases within trade and other payables and has released this through to the income statement over the period up to the first break clause. Under IFRS the release period is required to be the term of the lease. This has resulted in an increase in trade and other payables of £2,443,000 and a reduction in the amount released to the income statement by £496,000.

G. *Defined benefit pension schemes/finance income/finance expense* – under IFRS the expected return of assets of pension scheme assets recognised is based upon the discount rate which differs to the treatment under UK GAAP. As a result an additional charge of £973,000 has been made within the income statement and a corresponding reduction has been made within other comprehensive income. The associated deferred tax movement of £224,000 has reduced the value of other comprehensive income and has increased income tax expenses within the income tax expense.

   Under UK GAAP the other finance income, which relates through to the expected return on pensions assets less the interest cost on pension liabilities, is included separately on the face of the income statement. Under IFRS this is included net within either finance income or finance expense.

   This has resulted in an increase in the finance expense of £439,000 and a reduction in other finance income of £439,000. There is no profit effect.

H. *Defined benefit pension schemes* – under IFRS the deferred tax asset/(liability) in relation to the employee benefit pension scheme is not netted off against the employee benefit liability/(asset).

   Instead it is included within the deferred tax balance. This has resulted in an increase to the employee benefit liability within non-current liabilities and an increase in the deferred tax asset within non-current assets of £1,476,000.

Statement of cash-flows – the transition from UK GAAP to IFRS has not had a material impact on the statement of cash-flows.

Company statement of financial position as at 4 October 2014

	Note	4 October 2014 £'000
Fixed assets		
Investments	2	70,586
		70,586
Current assets		
Debtors	3	7
		7
Creditors: amounts falling due within one year	4	(986)
Net current liabilities		(979)
Net assets		69,607
Capital and reserves		
Called up share capital		500
Merger reserve	5	586
Profit and loss account	6	68,521
Total shareholders' funds	6	69,607

The financial statements were approved and authorised for issue by the Board of Directors.

Anthony Smith
Chief Executive Officer
23 January 2015

Notes to the company financial statements for the 52 weeks ended 4 October 2014 (continued)

1. Accounting policies

Basis of preparation

The Company's financial period is the period from incorporation on 23 May 2014 to 4 October 2014. The financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The Company has taken advantage of the exemption contained in Section 408(4) of the Companies Act 2006 from presenting its own profit and loss accounts. The loss dealt with in the accounts of the Company was £978,900.

The company has elected to adopt early the new accounting framework issued by the Financial Reporting Council. The company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements'. Accordingly, in the 52 weeks ended 4 October 2014, the company has adopted FRS 101 'Reduced Disclosure Framework' and has ceased to apply all UK Accounting Standards issued prior to FRS 100. Therefore the recognition and measurement requirements of EU-adopted IFRS have been applied, with amendments where necessary in order to comply with the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) as these are Companies Act 2006 accounts.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to the presentation of a cash flow statement and related party transactions.

Accounting policies have been applied consistently throughout the period.

Investments

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

Share-based payments

Share-based payments are measured at fair value at the date of grant.

The charge relating to grants to employees of the Company is recognised on a straight-line basis as an expense in the profit and loss account, spread over the vesting period, based on the Company's estimate of the shares that will eventually vest and adjusted for the effect of nonmarket-based vesting conditions.

Notes to the company financial statements for the 52 weeks ended 4 October 2014 (continued)

2. Fixed Asset Investments

	4 October 2014 £'000
Cost at reorganisation prior to flotation	70,586

The principal subsidiaries of the company, all of which have been included in the consolidated financial statements, are as follows:

Name of investment	Place of incorporation	Principal activity	Ownership
Shoe Zone Retail Limited	England & Wales	Trading company	100% owned by company
Castle Acres Development Limited	England & Wales	Property holding company	100% owned by company
Zone Property Limited	England & Wales	Property holding company	100% owned by company
Shoe Zone (Ireland) Limited	England & Wales	Non-trading company	100% owned by Shoe Zone Retail Limited

Notes to the company financial statements for the 52 weeks ended 4 October 2014 (continued)

3. Debtors

	4 October 2014
	£'000
Prepayments	7

4. Creditors: amounts falling due within one year

	4 October 2014
	£'000
Amounts owing to group undertakings	982
Accruals	4
	986

5. Share capital

	4 October 2014
	£'000
Allotted, called up and fully paid:	500
50,000,0000 ordinary shares of 1p each	500

Details of share capital transactions are provided in note 21 to the consolidated financial statements.

6. Reserves

	Merger reserve	Profit and loss account
	£'000	£'000
At 5 October 2013	-	-
Loss for the financial period	-	(979)
Capital reduction	-	69,500
Premium paid on share exchange agreement	586	-
At 4 October 2014	586	68,521

7. Related party transactions

Transactions between the Company and its 100% owned subsidiaries, which are related parties of the Company, are not disclosed in this note due to the advantage being taken of the exemption provided by FRS 101 'Reduced Disclosure Framework'. There have been no other related party transactions during the year.

Directors and Advisers

Directors

I A Filby (Non-Executive Chairman)
A E P Smith (Chief Executive Officer)
J C P Smith (Chief Operating Officer)
N J Davis (Chief Financial Officer)
C J Caminada (Non-Executive Director)
J W Sharman (Non-Executive Director)

Secretary

N J Davis

Registered office

Haramead Business Centre
Humberstone Road
Leicester
LE1 2LH

Auditors

BDO LLP
Pannell House
159 Charles Street
Leicester
LE1 1LD

Bankers

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

Registrars

Capita Asset Services Limited
The Registry
34 Beckenham Road
Kent
BR3 4TU

Solicitors

Dickson Minto W.S.
Broadgate Tower
20 Primrose Street
London
EC2A 2EW

Corporate Brokers

Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London
EC4M 7LT

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Shoe Zone plc (the 'Company') will be held at its registered office at Haramead Business Centre, Humberstone Road, Leicester, Leicestershire LE1 2LH on Friday, 27 February 2015 at 11a.m. to consider and, if thought fit, pass the resolutions set out below. Resolutions 1 to 12 will be proposed as ordinary resolutions and Resolution 13 will be proposed as a special resolution.

1. To receive and adopt the Company's annual accounts for the financial period ended 4 October 2014 and the associated reports of the Directors of the Company and the auditors of the Company.

2. To declare a final dividend of 3.6 pence per ordinary share for the financial period ended 4 October 2014.

3. To re-elect Ian Filby as a Director.

4. To re-elect Anthony Smith as a Director.

5. To re-elect Charles Smith as a Director.

6. To re-elect Nick Davis as a Director.

7. To re-elect Charlie Caminada as a Director.

8. To re-elect Jeremy Sharman as a Director.

9. To re-appoint BDO LLP as auditors of the Company to hold office from the conclusion of the annual general meeting until the conclusion of the annual general meeting of the Company to be held in 2016.

10. To authorise the Directors of the Company to determine the remuneration of BDO LLP as auditors of the Company.

11. That, in accordance with section 366 of the Companies Act 2006 (the 'Act'), the Company and its subsidiaries be and are hereby authorised, in aggregate, to:

(a) make political donations to political parties and/or independent election candidates, not exceeding £50,000.00 in total;
(b) make political donations to political organisations other than political parties, not exceeding £50,000.00 in total; and
(c) incur political expenditure, not exceeding £50,000.00 in total,

such authority to expire on the earlier of 31 March 2016 and the conclusion of the annual general meeting of the Company to be held in 2016. For the purposes of this resolution the terms 'political donation', 'political parties', 'independent election candidates', 'political organisation' and 'political expenditure' have the meanings given by sections 363 to 365 of the Act.

12. That, in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date of the passing of this resolution, the Directors of the Company be and are hereby generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company:

(a) up to an aggregate nominal amount of £166,666.00; and

(b) up to an aggregate nominal amount of £333,332.00 (such amount to be reduced by any shares allotted, or rights to subscribe for or to convert any security into shares granted, under paragraph (a) of this resolution) in connection with an offer by way of a rights issue:
   (i) to holders of ordinary shares of £0.01 each in the capital of the Company in proportion (as nearly as may be practicable) to their existing holdings; and
   (ii) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary or permitted by the rights of those securities, and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements or securities represented by depositary receipts, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter,

provided that this authority shall expire on the earlier of 31 March 2016 and the conclusion of the annual general meeting of the Company to be held in 2016, save that the Company may before such expiry make an offer or enter into an agreement which would or might require

Notice of Annual General Meeting (continued)

shares to be allotted, or rights to subscribe for or to convert securities into shares to be granted, after such expiry and the Directors may allot shares or grant such rights in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

13. That, subject to the passing of resolution 12 proposed at the annual general meeting of the Company convened for 27 February 2015 ('Resolution 12') and in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date of the passing of this resolution, the Directors of the Company be and are hereby generally empowered pursuant to sections 570 and 573 of the Companies Act 2006 (the 'Act') to allot equity securities (within the meaning of section 560(1) of the Act) (including the grant of rights to subscribe for, or to convert any securities into, ordinary shares of £0.01 each in the capital of the Company ('Ordinary Shares') for cash pursuant to the authorities conferred by Resolution 12 and/or by way of a sale of treasury shares (within the meaning of section 560(3) of the Act), as if section 561(1) of the Act did not apply to any such allotment or sale, provided that this power shall be limited to:

(a) the allotment of equity securities and the sale of treasury shares for cash in connection with an offer of, or invitation to apply for, equity securities (but in the case of the authority granted under paragraph (b) of Resolution 12, by way of a rights issue only):
  (i) to holders of Ordinary Shares in proportion (as nearly as may be practicable) to their existing holdings; and
  (ii) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary or permitted by the rights of those securities,

  and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with any treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter (including any such problems arising by virtue of equity securities being represented by depositary receipts); and

(b) the allotment of equity securities and the sale of treasury shares (other than under paragraph (a) of this resolution) up to an aggregate nominal amount of £25,000.00,

and shall expire on the earlier of 31 March 2016 and the conclusion of the annual general meeting of the Company to be held in 2016, save that the Company may before such expiry make an offer or enter into an agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

By order of the Board

Nick Davis
Company Secretary
23 January 2015

Registered Office
Haramead Business Centre
Humberstone Road
Leicester
Leicestershire
LE1 2LH

Notice of Annual General Meeting (continued)

Notes

1. Attending the Annual General Meeting in person

If you wish to attend the Annual General Meeting in person, you should arrive at the venue for the Annual General Meeting in good time to allow your attendance to be registered. It is advisable to have some form of identification with you as you may be asked to provide evidence of your identity to the Company's registrar, Capita Asset Services Limited (the 'Registrar'), prior to being admitted to the Annual General Meeting.

2. Appointment of proxies

Members are entitled to appoint one or more proxies to exercise all or any of their rights to attend, speak and vote at the Annual General Meeting. A proxy need not be a member of the Company but must attend the Annual General Meeting to represent a member. To be validly appointed, a proxy must be appointed using the procedures set out in these notes and in the notes to the accompanying Form of Proxy. If members wish their proxy to speak on their behalf at the meeting, members will need to appoint their own choice of proxy (not the Chairman of the Annual General Meeting) and give their instructions directly to them.

Members can only appoint more than one proxy where each proxy is appointed to exercise rights attached to different shares. Members cannot appoint more than one proxy to exercise the rights attached to the same share(s). If a member wishes to appoint more than one proxy, they should contact the Registrar at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4ZF or by telephone on 0871 664 0321. Calls cost 10p per minute from a BT landline. Other network providers' costs may vary. Lines are open 9.00 a.m. to 5.30 p.m. (London time) Monday to Friday. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes.

A member may instruct their proxy to abstain from voting on any resolution to be considered at the Annual General Meeting by marking the 'Vote Withheld' option when appointing their proxy. It should be noted that a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes 'For' or 'Against' the resolution.

The appointment of a proxy will not prevent a member from attending the Annual General Meeting and voting in person if they wish.

3. Appointment of a proxy using a Form of Proxy

A Form of Proxy for use in connection with the Annual General Meeting is enclosed. To be valid, a Form of Proxy or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, must be received by post or (during normal business hours only) by hand by the Registrar at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4ZF no later than 48 hours before the time of the Annual General Meeting or any adjournment of that meeting.

If you do not have a Form of Proxy and believe that you should have one, or you require additional Forms of Proxy, please contact the Registrar.

4. Appointment of a proxy through CREST

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and by logging on to the following website: www.euroclear.com/CREST. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy, or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Registrar (ID RA10) no later than 48 hours before the time of the Annual General Meeting or any adjournment of that meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

Notice of Annual General Meeting (continued)

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions.

It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed (a) voting service provider(s), to procure that their CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).

5. Appointment of a proxy by joint holders

In the case of joint holders, where more than one of the joint holders purports to appoint one or more proxies, only the purported appointment submitted by the most senior holder will be accepted. Seniority shall be determined by the order in which the names of the joint holders stand in the Company's register of members in respect of the joint holding.

6. Corporate representatives

Any corporation which is a member can appoint one or more corporate representatives. Members can only appoint more than one corporate representative where each corporate representative is appointed to exercise rights attached to different shares. Members cannot appoint more than one corporate representative to exercise the rights attached to the same share(s).

7. Entitlement to attend and vote

To be entitled to attend and vote at the Annual General Meeting (and for the purpose of determining the votes they may cast), members must be registered in the Company's register of members at 6.00 p.m. on 25 February 2015 (or, if the Annual General Meeting is adjourned, at 6.00 p.m. on the day two days (excluding non-working days) prior to the adjourned meeting). Changes to the register of members after the relevant deadline will be disregarded in determining the rights of any person to attend and vote at the Annual General Meeting.

8. Voting rights

As at 31 December 2014 the Company's issued share capital consisted of 50,000,000 ordinary shares of £0.01 each carrying one vote each. No shares are held by the Company in treasury. Therefore, the total voting rights in the Company as at 31 December 2014 were 50,000,000 votes.

Shoe Zone plc

Annual Report & Accounts 2014

www.shoezone.com
email: investorrelations@shoezone.com