



Shoe Zone

Annual Report & Accounts

2015

Shoe Zone is the leading UK Specialist Value Footwear Retailer

“In June 2015, we were excited to launch a new concept store with the aim of attracting a wider audience. The store in Meadowhall, one of the biggest shopping centres in the UK, has been a huge success.”

Anthony Smith, CEO.



Shoe Zone store in Meadowhall following the launch of a new shopfit concept 6 June 2015

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Financial Highlights

Revenue
£166.8m
(2014: £172.9m)¹

Profit before tax
£10.1m
(2014: £10.5m)

Net cash
£14.2m
(2014: £9.1m)

Product
gross margin
61.5%
(2014: 61.3%)

Earnings
per share
16.2p
(2014: 16.1p)

Interim dividend
3.2p

Final dividend
6.5p

Total dividend
9.7p

Special dividend
6.0p

¹ Reduction due to planned closure of unprofitable stores

Directors and Advisers

Directors

I A Filby
A E P Smith
N J Davis
J C P Smith
C J Caminada
J W Sharman

Secretary

N J Davis

Registered office

Haramead Business Centre
Humberstone Road
Leicester
LE1 2LH

Auditor

BDO LLP
Pannell House
159 Charles Street
Leicester
LE1 1LD

Registrar

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

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Chief Executive's report



Introduction

I am delighted to deliver my Chief Executive's report on another satisfying year for Shoe Zone. Whilst it was a difficult year for the footwear industry, I believe we have achieved a solid performance. Our key strengths have been cost control, managing our property portfolio and delivering strong profit margins through increased direct sourcing and better inventory control, leading to an improved cash position.

The financial position of the business remains very sound, with our debt-free balance sheet providing a solid foundation for the future. These results are in line with expectations that were reset during the year, with profit before tax decreasing by 3.4% to £10.1m (2014: £10.5m), while earnings per share increased to 16.2p (2014: 16.1p).

Dividends

As a result of our performance in the year and strong cash position, the Board is proposing two dividends to be paid being a final dividend of 6.5 pence per share, resulting in a total dividend for the year of 9.7p per share and a special dividend of 6.0 pence per share.

The board is proposing a special dividend in order to distribute surplus cash generated from our strong cash conversion. We believe that £11m is currently the maximum level of cash that the business requires to operate effectively and so excess above this level will be paid to shareholders by way of a special dividend when appropriate. Therefore, the special dividend of £3m, being 6.0 pence per share is being proposed.

The dividends will be paid to shareholders on the register on 26 February 2016, payable on 16 March 2016 if approved at the Annual General Meeting to be held on 4 March 2016. The shares will be ex-dividend on 25 February 2016.

Product range development

We continue to make good progress in the development of our product ranges. Following a slow start to the financial year we made some adjustment to our future ranges to ensure greater diversity of product and also to give us future confidence about average price and average transaction value. These stabilised in the second half and have reverted to historic levels post the year end.

We appointed a new merchandise director in April 2015 with a focus on improving stock management and cash generation. The full impact of this appointment will be realised in 2016 and beyond.

We are very pleased with the progress of our non-footwear ranges, which were gradually introduced from the Spring/Summer 2013 season. In 2015, non-footwear sales growth was up 33% with annual sales of £5.5m. We have tailored the ranges to enhance performance in 2016 and this strategy is already showing good signs of further growth. We have also extended the full non-footwear range to our Grade 3 stores which has had a great start.



Chief Executive's report (continued)

Store portfolio management

We ended the year operating from 535 stores with 12 new store openings (including seven relocations). We also completed 40 store refits during the year, at a total capital expenditure of £1.9m. We continue to rationalise our store portfolio and will close further temporary/loss making stores in 2016, reducing total sales but helping to improve profitability.

Our rents at lease renewal in the 12 months fell by 27.2%. We still see opportunities to reduce rents and relocate to better sites and therefore continue to open larger, more profitable Grade 1 stores while closing smaller Grade 3 stores (see table). Our average lease length is now 2.7 years and provides us with the flexibility to best manage the portfolio, with secondary locations continuing to show limited signs of rental recovery outside the M25.

Movement in Grade changes during the year were in line with management forecasts. In addition, we have been trialling new equipment during the year to increase store densities without the need for refitting. This has been extremely successful and will rapidly increase the number of Grade 1 stores from February 2016 as shown in the following table.

	Estimate 1 February 2016	Stores at 3 October 2015	Stores at 4 October 2014
Grade 1 (large)	287	231	203
Grade 2 (medium)	123	168	178
Grade 3 (small)	115	136	164
TOTAL	525	535	545

Operational improvements

Product orders placed directly with overseas factories increased in 2015 to 62.1% (2014: 53.1%). The margin gains from this approach are partially being reinvested to ensure we can provide our customers with the best value product, with the remainder improving margin achieved for the year.

We continue to implement our "right price, first time" strategy, which helps control the amount of markdown value as a percentage of turnover. Following big

improvements in 2014 (6.44%) we continued this well controlled trend and reduced this to 6.25% in 2015.

We launched our updated store proposition at our new Meadowhall store in Sheffield in June. This new format has been a great success and this concept is now being rolled out to new stores and refits.



E-commerce

shoezone.com continues to evolve and grow with an upgraded fully responsive site launched in 2015. Our database has grown by 47% which has helped e-mail campaign sales increase by 65% on the prior year. Mobile and tablet visits represented 66% (2014: 56%) of all visits with conversion rates increasing on all devices, including desktop. I am pleased that our overall e-commerce growth was significantly ahead of e-commerce market expectations (13.9% Mintel 2015).

Our 200 web exclusive products now account for 13.4% (2014: 8.1%) of shoezone.com sales. This has even greater potential as we buy greater volumes of these styles.

In addition to our own website, which represents over 60% of all e-commerce sales, we also sell via Amazon and eBay.



Chief Executive's report (continued)

New sales opportunities

We started selling to over 30 additional countries, including Germany, Italy, Spain and France, in the year via Amazon and eBay. We will continue to increase the number of countries in which our products are offered and we are also working on further developments during 2016 that will improve the delivery options for our international customers via shoezone.com.

Our promotional links with other value retailers are very encouraging. During our 'Back to School' campaign, we generated over £900,000 in a seven week period through such promotions, representing a 10% increase on the previous year.

Employees and Charity

We are immensely proud of the significant effort our fantastic staff have put in to achieve these results and want to thank them for their continued hard work, loyalty and commitment. We are also extremely thankful for their diligence throughout the year in raising £200,000 for our chosen charity BBC Children in Need. Our 2016 fundraising efforts will result in us raising an amazing £500,000 over the last three years for this charity.



Current trading and Outlook

Shoe Zone's trading in the first quarter of the year has been challenging, amid the well documented high street trading conditions for clothing and footwear retailers. Despite this we have continued to make progress against our strategic objectives. Our stock position is well controlled and we have achieved strong gross margins choosing not to discount stock before Christmas as is usual for our business. We anticipate the full year effect of

our new merchandise director will continue to improve our stock and cash position.

Capital expenditure for the full year will be increased to c.£3m from the original £2m expectation to allow increased investment in stores, warehouse and IT. This includes refitting an additional 10 stores; significant investment in the Distribution Centre to allow for the increasing volume of e-commerce sales; and a roll out of new point of sale terminals which will be completed by 2018.

We have continued to make progress on the property portfolio having opened six new stores, with a further four stores having been refitted to our new concept so far this year. There are currently four new stores with provisional opening dates and a further 41 refits planned for 2016.

By February 2016, there will be an additional 56 Grade 1 stores converted through the introduction of new layouts and equipment. There will also be 33 enhanced Grade 1 stores that will have their style count increased from 400 to 450. The extra styles will predominantly be higher priced and consist of more fashionable footwear.

In August 2016, a trial "Project Big Box" will be launched in three stores. This will be twice the size of an average Grade 1 Shoe Zone store. The stores will benefit significantly from an extended product range, higher priced footwear and an enhanced environment. This will allow Shoe Zone to benefit from the out of town market as well as creating a strong new avenue for growth.

Our successful e-commerce offering continues to grow successfully. E-commerce exclusive styles are being increased to 275 per season from the current 200, to satisfy the increasing demand for higher priced products.

The falling oil price is already having a positive impact on the cost of logistics and should also impact the price of raw materials thereby improving gross margins for the remainder of the year.

Anthony Smith
Chief Executive Officer
12 January 2016

Financial review

In the 52 weeks to 3 October 2015, revenues declined 3.5% to £166.8 million (2014: £172.9 million), firstly due to the planned closure of loss making stores and secondly as a result of difficult trading conditions in the first half. Despite volumes increasing, revenue slowed during the first half of the year and this was largely attributable to a reduction in achieved average price caused by a warmer season than was anticipated.

Group profit before tax ("PBT") reduced by 3.4% to £10.1 million (2014: £10.5 million). PBT margin was maintained at 6.1%.

Store numbers reduced by a net 10 branches to 535 at the year-end (2014: 25 branches closed leaving a total of 545).

Online revenues (excluding store orders) have grown by 44.7% (2014: 20.6%) during the year and online sales represented 3.3% of total sales (2014: 2.3%).

Product gross margin strengthened to 61.5% (2014: 61.3%) reflecting further increases in direct sourcing and a reduction in stock mark down.

Operating expenses reduced to £17.0 million (2014: £17.1 million). In the current year the directors have carried out a detailed review of the allocation of distribution costs and administrative expenses to ensure a more accurate allocation of these costs given the growth of our online offering. Accordingly the comparative charge for distribution costs have increased by £0.75 million and administrative expenses have reduced by the same amount. There is no impact on the results or net assets from this restatement.

Nick Davis
Chief Financial Officer
12 January 2016

During the year there were no costs that required classification as 'exceptional' (2014: £0.9m relating to the May 2014 IPO).

The effective rate of corporation tax for the year was 20.1% (2014: 21.6%).

Earnings per share were 16.2 pence (2014: 16.1 pence).

During the year we have opened 12 new stores and completed 40 refits, spending £1.9 million on capital expenditure.

The Group supports two defined benefit schemes that deteriorated by £0.4 million during the year.

During 2015 the Board adopted a cash flow hedging policy relating to committed stock purchases from overseas with the overall objective of protecting the product gross margin. The Group uses derivative financial instruments (usually forward exchange purchase contracts) to hedge the risk of future foreign currency fluctuations relating to the stock import schedules. Further information can be seen in accounting policies note 1 of the financial statements.

The business has a debt free financial structure and generated £11.6 million from operations, resulting in a net cash position of £14.2 million (2014: 9.1 million) at the year end, underpinning a strong balance sheet. 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.

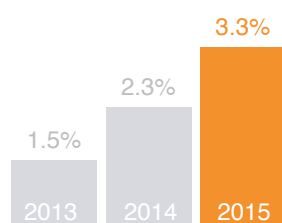
Key Performance Indicators

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. Online sales exclude orders placed in store.

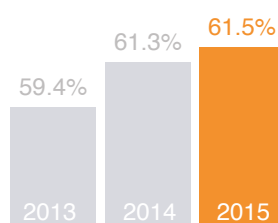
The online participation increased by 100 basis points to 3.3% (2014: 2.3%). This performance reflects the growth of our offering on Ebay and Amazon.



Product Gross Margin %

Product Gross Profit expressed as a percentage of revenue.

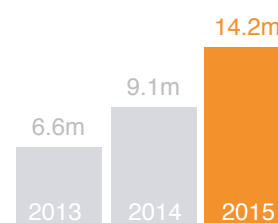
The Product Gross Margin increased by 20 basis points to 61.5% (2014: 61.3%) reflecting the continued success of increasing our direct sourcing.



Cash Balance

Cash held by the Group at the period end.

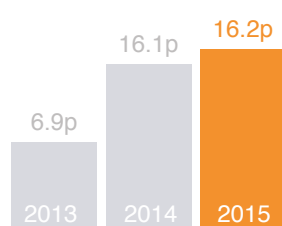
We finished the year with a healthy cash balance of £14.2m (2014: £9.1m).



Earnings per Share Growth

The percentage movement in Earnings per share.

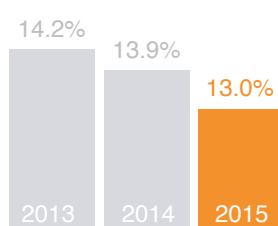
Earnings per Share made a small improvement this year despite the fall in turnover. EPS for the year is 16.2p (2014: 16.1p).



Rental % of Turnover

Store rent as a percentage of turnover.

The rental % of turnover has reduced from 13.9% to 13.0% reflecting the increase in larger format Grade 1 stores and successful 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 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

Principal risks and uncertainties (continued)

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. Reputable third party antivirus, antispam and web filtering software is in use and its appropriateness regularly reviewed.

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 was approved by the Board.

On behalf of the Board

A E P Smith
Chief Executive Officer
12 January 2016

N J Davis
Chief Financial Officer

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 and three Non-Executive Directors (including the Chairman). 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'). The Articles require that each Director retires and seeks re-election by the members every three years. The UK Code recommends that directors should be subject to annual re-election by members and, in line with the Company's intention to apply certain principles of the UK Code, each Director will stand for re-election at each of the Company's AGMs.

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 three 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 over 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 second Directors' Remuneration Report since it listed on AIM in May 2014.

The Committee consists of two 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:

	Number of ordinary shares	Percentage of issued share capital
Executive Directors		
Anthony Smith	13,895,592 (1)	27.79%
Charles Smith	11,109,408 (2)	22.22%
Nick Davis	15,700 (3)	0.03%
Non-Executive Directors		
Ian Filby	Nil	-
Charlie Caminada	15,625	0.03%
Jeremy Sharman	234,375	0.47%

(1) The registered holder of these shares is Slawston Limited, an entity 100% owned by Anthony Smith

(2) The registered holder of these shares is Sheepy Magna Limited, an entity 100% owned by Charles Smith

(3) The registered holder of these shares is the wife of Nick Davis

Remuneration report (continued)

Directors' Remuneration

Directors' remuneration information for those individuals who have served as a Director for the year are presented below. The information presented in respect of these Directors is for the full financial year.

Individual	Financial year	Basic Salary and fees £	Profit Share (Bonus) £	Benefits £	Pension Contribution £	Total £
Executive Directors						
Anthony Smith	FY15	250,000	-	35,373	-	285,373
	FY14	225,000	-	30,968	-	255,968
Charles Smith	FY15	200,000	-	21,354	-	221,354
	FY14	188,000	-	17,188	-	205,188
Nick Davis	FY15	143,594	79,269	10,444	17,931	251,238
	FY14	136,500	86,620	11,565	16,380	251,065
Non-Executive Directors						
Ian Filby	FY15	60,000	-	-	-	60,000
	FY14	25,000	-	-	-	25,000
Charlie Caminada	FY15	30,000	-	-	-	30,000
	FY14	12,500	-	-	-	12,500
Jeremy Sharman	FY15	30,000	-	-	-	30,000
	FY14	23,100	-	-	-	23,100
	FY15	713,594	79,269	67,171	17,931	877,965
	FY14	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.

Remuneration report (continued)

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. Salaries for the current year are set out below:

	£
Anthony Smith	250,000
Charles Smith	200,000
Nick Davis	150,000

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.

The remuneration report was approved by the Board.

On behalf of the Board

C J Caminada
Chairman of the Remuneration Committee
12 January 2016

Directors' report for the 52 weeks ended 3 October 2015

The Directors present their Annual Report and audited financial statements of the Company and the Group for the 52 weeks ended 3 October 2015.

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 is listed on the AIM market of the London stock exchange.

Share Capital

Details of the share capital of the company are shown in note 20 of the financial statements. The company's share capital consists of one class of ordinary shares. As at the 3 October 2015 there were 50,000,000 ordinary shares of £0.01 each. The authorised share capital of the Company is unlimited.

At the AGM held on 27 February 2015, the board was granted authority to allot shares in the company of up to approximately a third of the Company's issued share capital. The board was also granted authority to allot further shares having an aggregate nominal value of £166,666 in connection with a pre-emptive rights issue (representing approximately a further third of the Company's issued share capital). At the 2016 AGM, shareholders will be asked to renew this authority for a further year.

Directors

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

Anthony Smith

Charles Smith

Nick Davis

Ian Filby

Charlie Caminada

Jeremy Sharman

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 3,721 (4 October 2014: 3,970) 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 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 customers 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.

Directors' report for the 52 weeks ended 3 October 2015 (continued)

Annual general meeting

The Company's second AGM will be held on Friday, 4 March 2016 at 11am at the Company's registered office at Haremead Business Centre, Humberstone Road, Leicester, Leicestershire LE1 2LH. The Notice of AGM appears on pages 68 to 71.

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

Dividends (resolutions 2 and 3)

Final dividend

The Directors are proposing a final dividend of 6.5p per ordinary share, amounting to a total dividend of approximately £3.25m, 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.

Special dividend

The Directors are also proposing a special dividend of 6.0p per ordinary share. In light of the continued strong performance, cash generation and the robustness of the Company's balance sheet, the Directors consider it appropriate to propose a cash return to shareholders of, in aggregate, approximately £3m (in addition to the final dividend proposed in resolution 2), which is structured as a special dividend of 6.0p per ordinary share. The approval of this resolution is not dependent on the approval of resolution 2, nor is the approval of resolution 2 dependent on the approval of this resolution.

Re-election of Directors (resolutions 4 to 9)

The UK Corporate Governance Code recommends that directors should be subject to annual re-election by shareholders. In line with the Company's intention to apply certain principles of the UK Corporate Governance Code, each Director will stand for re-election at the AGM. 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.

Political donations (resolution 12)

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 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 13 and 14)

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 13 seeks shareholder authority to allow the Directors to allot shares having an aggregate nominal value of £166,666 representing approximately a third of the Company's issued share capital on 12 January 2016. In addition, shareholder authority is sought to allot further shares having an aggregate nominal value of £166,666 in connection with a pre-emptive rights issue (representing approximately a further third of the Company's issued share capital on 12 January 2016).

Resolution 14 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 14 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 14 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 £50,000 (being 5,000,000 shares). This is the equivalent to approximately 10% of the issued share capital of the Company on 12 January 2016. The authority to issue up to 10% of the Company's issued share capital follows guidance from the Pre-Emption Group's revised Statement of Principles, published on 12 March 2015 (the 'PEG Principles'). The PEG Principles provide the Company with greater flexibility to undertake non-pre-emptive issuances in connection with acquisitions and specified capital investments. The Board confirms that

Directors' report for the 52 weeks ended 3 October 2015 (continued)

it will only allot shares with a nominal value of £25,000 (representing 5% of the issued share capital of the Company as at 12 January 2016) for cash pursuant to this authority where that allotment is in connection with an acquisition or specified capital investment (as described in the PEG Principles) which is announced at the same time as the allotment, or which has taken place in the preceding six-month period and is disclosed in the announcement of that allotment. In addition, the Board does not intend to allot shares for cash on a non-pre-emptive basis above 7.5% of the total issued share capital of the Company over a rolling three-year period without consulting shareholders first. This complies with the PEG Principles. This resolution also disapplies statutory pre-emption rights to the extent necessary to facilitate rights issues.

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 2017 or 31 March 2017, 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 11am on 2 March 2016.

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 auditor, 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. Further information can be found in note 3 to the financial statements.

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 May 2016. The RCF requires the Group to comply with certain financial covenants; these have been met during the year, and since the year-end. The

Directors' report for the 52 weeks ended 3 October 2015 (continued)

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.

Events after the year-end

Between 3 October 2015 and the date of this report, there have been no material events.

The Strategic Report, the Directors' Report and the 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 auditor

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 auditor 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 auditor are aware of that information.

Approved by the Board and signed on its behalf:

A E P Smith
Chief Executive Officer
12 January 2016

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 3 October 2015 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) including FRS "101" 'Reduced Disclosure Framework'.

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

Respective responsibilities of Directors and auditor

As explained more fully in the 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 3 October 2015 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
12 January 2016

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

Consolidated income statement for the 52 weeks ended 3 October 2015

	Note	52 weeks ended 3 October 2015	Restated 52 weeks ended 4 October 2014	
		£'000	£'000	
Revenue	1, 4, 8	166,819	172,861	Strategic Report
Cost of sales	5	(139,503)	(144,303)	
Gross profit		27,316	28,558	Governance
Administration expenses	5	(10,939)	(12,000)	
Distribution costs	5	(6,095)	(5,989)	
Profit from operations		10,282	10,569	
Analysed as:				
Operating profit before exceptional items		10,282	11,505	Financials
Exceptional items in administration expenses	5,6	-	(936)	
Finance income	9	44	33	
Finance expense	9	(186)	(103)	
Profit before taxation		10,140	10,499	
Taxation	10	(2,039)	(2,459)	
Profit attributable to equity holders of the parent		8,101	8,040	
Earnings per share - basic and diluted	26	16.20p	16.08p	Shareholder information

Consolidated statement of total comprehensive income for the 52 weeks ended 3 October 2015

	Note	52 weeks ended 3 October 2015	52 weeks ended 4 October 2014
		£'000	£'000
Profit for the period		8,101	8,040
Items that will not be reclassified subsequently to the income statement			
Remeasurement losses on defined benefit pension scheme	23	(499)	(2,371)
Movement in deferred tax on pension schemes	23	100	474
Cash flow hedges			
Fair value movements in other comprehensive income		314	-
Tax on cash flow hedges		(63)	-
Other comprehensive expense for the period		(148)	(1,897)
Total comprehensive income for the period attributable to equity holders of the parent		7,953	6,143

Consolidated statement of financial position as at 3 October 2015

	Note	52 weeks ended 3 October 2015	52 weeks ended 4 October 2014
		£'000	£'000
Assets			
Non-current assets			
Property, plant and equipment	12	18,688	21,233
Total non-current assets		18,688	21,233
Current assets			
Inventories	13	29,172	29,181
Trade and other receivables	14	8,148	8,377
Derivative financial assets	15	553	741
Cash and cash equivalents	24	14,221	9,114
Total current assets		52,094	47,413
Total assets		70,782	68,646
Current liabilities			
Trade and other payables	16	(23,649)	(25,920)
Provisions	17	(802)	(959)
Corporation tax liability		(1,373)	(518)
Total current liabilities		(25,824)	(27,397)
Non-current liabilities			
Trade and other payables	16	(3,037)	(3,766)
Provisions	17	(363)	(470)
Employee benefit liability	23	(5,150)	(4,766)
Deferred tax liability	19	(124)	(516)
Total non-current liabilities		(8,674)	(9,518)
Total liabilities		(34,498)	(36,915)
Net assets		36,284	31,731
Equity attributable to equity holders of the company			
Called up share capital	20	500	500
Merger reserve		2,662	2,662
Cash flow hedge reserve		251	-
Retained earnings		32,871	28,569
Total equity and reserves		36,284	31,731

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

A E P Smith
Chief Executive Officer
12 January 2016

Registered Number 08961190

Strategic Report

Governance

Financials

Shareholder information

Consolidated statement of changes in equity for the 52 weeks ended 3 October 2015

	Share Capital	Merger reserve	Cash flow hedge reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
At 5 October 2013	500	2,662	-	29,886	33,048
Profit for the period	-	-	-	8,040	8,040
Other comprehensive income	-	-	-	(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	-	-	-	(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
Profit for the period	-	-	-	8,101	8,101
Other comprehensive expense	-	-	251	(399)	(148)
Total comprehensive income for the period	-	-	251	7,702	7,953
Dividends paid during the year (note 11)	-	-	-	(3,400)	(3,400)
Total contributions by and distributions to owners	-	-	-	(3,400)	(3,400)
At 3 October 2015	500	2,662	251	32,871	36,284

Share capital comprises nominal value of shares subscribed for.

The merger reserve is the nominal value of shares that have been repurchased.

The cash flow hedge reserve comprises of gains/losses arising on the effective portion of hedging instruments and is carried at fair value in a qualifying cash flow hedge.

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 3 October 2015

	Note	52 weeks ended 3 October 2015	52 weeks ended 4 October 2014	
		£'000	£'000	
Operating activities				Strategic Report
Profit after taxation		8,101	8,040	
Corporation tax		2,039	2,459	Governance
Finance income		(44)	(33)	
Finance expense		186	103	
Pension contributions paid		(300)	(425)	
Depreciation of property, plant and equipment		3,713	4,527	
Impairment of property, plant and equipment		459	-	
Loss on disposal of property, plant and equipment		46	108	
		14,200	14,779	
Decrease in trade and other receivables		303	329	
Decrease/(increase) in foreign exchange contract		501	(1,269)	
Decrease in inventories		9	778	
(Decrease)/increase in trade and other payables		(3,148)	1,084	
Decrease in provisions		(264)	(200)	
		(2,599)	722	
Cash generated from operations		11,601	15,501	Financials
Income taxes paid		(1,538)	(2,512)	
Net cash flows from operating activities		10,063	12,989	
Investing activities				
Purchase of property, plant and equipment		(1,879)	(2,008)	
Sale of property, plant and equipment		280	703	
Interest received		44	33	
Net cash used in investing activities		(1,555)	(1,272)	
Financing activities				Shareholder information
Distribution prior to group reorganisation		-	(2,458)	
Dividends paid prior to group reorganisation	11	-	(5,002)	
Dividends paid during the year	11	(3,400)	-	
Interest paid		(1)	(27)	
Repayment of loans		-	(1,668)	
Net cash used in financing activities		(3,401)	(9,155)	
Net increase in cash and cash equivalents		5,107	2,562	
Cash and cash equivalents at beginning of period		9,114	6,552	
Cash and cash equivalents at end of period	24	14,221	9,114	

Notes to the financial statements for the 52 weeks ended 3 October 2015

1. Accounting policies

General information

Shoe Zone plc (the 'Company') is a public company incorporated and domiciled in England and Wales. The registered office is at Haremead 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 3 October 2015.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively IFRSs) issued by the International 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 certain 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 3 October 2015. 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 3 October 2015 (continued)

1. Accounting policies (continued)

Basis of consolidation (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

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

In the prior year, 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.

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 was 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 Humberzone Group Limited (formerly known as Shoe Zone Group Limited) prior to the reorganisation itself taking place.

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.

Notes to the financial statements for the 52 weeks ended 3 October 2015 (continued)

1. Accounting policies (continued)

Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide clearer understanding of the underlying financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

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 interest and capital. 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 3 October 2015 (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.

Derivative financial instruments and hedging activities

The Group uses derivative financial instruments such as forward foreign exchange contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially measured at fair value and subsequently remeasured at fair value. The fair value of forward foreign exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in cost of sales in the income statement.

Amounts accumulated in equity are reclassified to cost of sales in the income statement in the periods when the hedged item affects profit or loss, matching when the hedged transaction occurs.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in equity is retained in equity and is recognised when the forecast transaction is ultimately recognised in cost of sales in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Notes to the financial statements for the 52 weeks ended 3 October 2015 (continued)

1. Accounting policies (continued)

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.

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.

Notes to the financial statements for the 52 weeks ended 3 October 2015 (continued)

1. Accounting policies (continued)

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. A dilapidation provision is only recognised on those properties which are likely to be exited. Where such property is identified the full costs expected are recognised. 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

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.

Net interest expense (income) is recognised in profit or loss, and is calculated by applying the discount rate used to measure the defined benefit obligation (asset) at the beginning of the annual period to the balance of the net defined benefit obligation (asset), considering the effects of contributions and benefit payments during the period.

Gains or losses arising from changes to scheme benefits or scheme curtailment are recognised immediately in profit or loss.

Settlements of defined benefit schemes are recognised in the period in which the settlement occurs.

Notes to the financial statements for the 52 weeks ended 3 October 2015 (continued)

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.

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 23. 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.

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. 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.

Notes to the financial statements for the 52 weeks ended 3 October 2015 (continued)

3. Financial instruments – risk management (continued)

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;
- trade and other payables; and
- bank overdrafts.

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.

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

	52 weeks ended 3 October 2015	52 weeks ended 4 October 2014
	£'000	£'000
Financial assets at amortised cost		
Trade receivables	313	381
Other receivables	178	119
Cash and cash equivalents	14,221	9,114
Total receivables	14,712	9,614
Financial assets at fair value through profit or loss	239	741
Financial assets at fair value through other comprehensive income	314	-
Total financial assets	553	-

Notes to the financial statements for the 52 weeks ended 3 October 2015 (continued)

3. Financial instruments – risk management (continued)

	52 weeks ended 3 October 2015	52 weeks ended 4 October 2014
	£'000	£'000
Financial liabilities		
Trade and other payables	20,851	23,811
Total financial liabilities at amortised cost	20,851	23,811

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 3 October 2015 and 4 October 2014.

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 3 October 2015 the Group has trade receivables of £313,000 (4 October 2014: £381,000).

Approximately 20% 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 £100,000.

The Directors are unaware of any factors affecting the recoverability of outstanding balances at 3 October 2015 and previously and consequently no provisions have been made for bad and doubtful debts.

All cash balances are held with reputable banks and the Board monitors its exposure to counterparty risk on an ongoing basis.

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. 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 3 October 2015 (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 3 October 2015					
Trade and other payables	20,851	-	-	-	-
Total	20,851	-	-	-	-

	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	-	-	-	-
Total	23,811	-	-	-	-

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Notes to the financial statements for the 52 weeks ended 3 October 2015 (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.

The fair value of forward foreign exchange contracts has been determined based on discounted market forward currency exchange rates at the balance sheet date.

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, cash and retained earnings totalling £36,284,000 (4 October 2014: £31,731,000).

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 planned to be financed from existing resources wherever possible.

4. Revenue

Revenue arises from:

Sales of goods

52 weeks ended 3 October 2015	52 weeks ended 4 October 2014
£'000	£'000
166,819	172,861

Notes to the financial statements for the 52 weeks ended 3 October 2015 (continued)

5. Expenses by nature

	52 weeks ended 3 October 2015	52 weeks ended 4 October 2014
	£'000	£'000
Changes in inventories of finished goods	(157)	701
Finished goods	58,241	61,303
Duty and carriage charges on purchases	2,099	1,639
Employee benefit expenses	36,285	37,642
Depreciation of property, plant and equipment	3,713	4,527
Impairment of property, plant and equipment	459	-
Operating lease expense:		
- Other	682	725
- Land and buildings	23,493	25,153
Loss on disposal of property, plant and equipment	51	108
Branch running costs	17,866	18,207
Transportation expenses	1,287	1,386
Advertising expenses	1,029	1,297
Financial instruments movement	502	(1,269)
IPO Costs	-	936
Other costs	10,987	9,937
	156,537	162,292

In the current year the directors have carried out a detailed review of the allocation of distribution costs and administrative expenses to arrive at a more accurate allocation of these costs given the growth of our online offering. Accordingly the comparative charge for distribution costs have increased by £0.75 million and administrative expenses have reduced by the same amount. There is no impact on the results or net assets from this restatement.

Notes to the financial statements for the 52 weeks ended 3 October 2015 (continued)

6. Auditor's remuneration

	52 weeks ended 3 October 2015	52 weeks ended 4 October 2014
	£'000	£'000
The audit of the parent company	5	4
The audit of the company's subsidiaries	53	51
IPO Costs	-	150
	58	205

7. Employee benefit expenses

	52 weeks ended 3 October 2015	52 weeks ended 4 October 2014
	£'000	£'000
Employee benefit expenses (including Directors) comprise:		
Wages and salaries	33,670	35,017
Social security costs	1,740	1,846
Other pension costs	875	779
	36,285	37,642

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

	52 weeks ended 3 October 2015	52 weeks ended 4 October 2014
	No.	No.
Sales and distribution	3,701	3,950
Directors	6	6
Administration	154	155
	3,861	4,111

Notes to the financial statements for the 52 weeks ended 3 October 2015 (continued)

7. Employee benefit expenses (continued)

	52 weeks ended 3 October 2015	52 weeks ended 4 October 2014
	£'000	£'000
Directors' remuneration, included in staff costs:		
Salaries and benefits	860	757
Pension contributions	18	16
	<u>878</u>	<u>773</u>
Information regarding the highest paid Director is as follows:		
Salary and benefits	285	256
Pension contribution	-	-
	<u>285</u>	<u>256</u>

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Notes to the financial statements for the 52 weeks ended 3 October 2015 (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 3 October 2015	52 weeks ended 4 October 2014
	£'000	£'000
External revenue by location of customers:		
United Kingdom	161,761	167,146
Republic of Ireland	5,058	5,715
	<u>166,819</u>	<u>172,861</u>

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

	52 weeks ended 3 October 2015	52 weeks ended 4 October 2014
	£'000	£'000
Non-current assets by location:		
United Kingdom	<u>18,688</u>	<u>21,233</u>

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 3 October 2015 (continued)

9. Finance income and expenses

	52 weeks ended 3 October 2015	52 weeks ended 4 October 2014
	£'000	£'000
Finance income		
Interest receivable	44	33
Total finance income	<u>44</u>	<u>33</u>
Finance expense		
Other loans	-	(27)
Other interest payable	(1)	-
Net interest expense on defined benefit pension scheme	(185)	(76)
Total finance expense	<u>(186)</u>	<u>(103)</u>

10. Income Tax

	52 weeks ended 3 October 2015	52 weeks ended 4 October 2014
	£'000	£'000
Current tax expense		
Current tax on profits for the period	2,477	1,845
Adjustment for under provision in prior periods	(83)	(33)
Total current tax expense	<u>2,394</u>	<u>1,812</u>
Deferred tax expense		
Origination and reversal of temporary differences (note 19)	(355)	647
Tax charge on profit on ordinary activities	<u>2,039</u>	<u>2,459</u>

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Notes to the financial statements for the 52 weeks ended 3 October 2015 (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 3 October 2015	52 weeks ended 4 October 2014
	£'000	£'000
Profit for the period	8,101	8,040
Income tax expense	2,039	2,459
Profit before income taxes	10,140	10,499
Expected tax charge based on corporation tax rate of 20.5% (4 October 2014: 22%)	2,079	2,310
Expenses not deductible for tax purposes	57	197
Effective change of rate	8	(50)
Unrecognised deferred tax movement	-	(107)
Adjustments to tax charge in respect of previous period	(105)	109
Total tax expense	2,039	2,459

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 2015-16 on 26 October 2015. These include a reduction to the main rate to 19% from 1 April 2017 and to 18% from 1 April 2020. Deferred tax has been calculated at 20% being the rate applying from October 2015.

11. Dividends

	52 weeks ended 3 October 2015	52 weeks ended 4 October 2014
	£'000	£'000
Dividends paid prior to group reorganisation	-	5,002
Dividends paid during the year	3,400	-

A final dividend of 6.5 pence per share (£3,250,000) is proposed for shareholders on the register on 26 February 2016 payable on 16 March 2016 following approval at the Annual General Meeting on 4 March 2016.

A special dividend of 6 pence per share (£3,000,000) is proposed for shareholders on the register on 26 February 2016 payable on 16 March 2016 following approval at the Annual General Meeting on 4 March 2016.

Notes to the financial statements for the 52 weeks ended 3 October 2015 (continued)

12. Property, plant and equipment

	Freehold properties	Short leasehold and leasehold improvements	Motor vehicles	Fixtures and fittings	Total
Cost	£'000	£'000	£'000	£'000	£'000
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
Additions	-	577	-	1,377	1,954
Disposals	(514)	(513)	-	(856)	(1,883)
At 3 October 2015	10,153	16,975	5	30,548	57,681

Depreciation

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
Charge for the period	57	1,522	-	2,134	3,713
Impairment	290	84	-	85	459
Disposals	(220)	(498)	-	(838)	(1,556)
At 3 October 2015	1,133	12,690	5	25,165	38,993

Net book value

At 3 October 2015	9,020	4,285	-	5,383	18,688
At 4 October 2014	9,661	5,329	-	6,243	21,233
At 4 October 2013	10,475	6,489	-	7,672	24,636

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Notes to the financial statements for the 52 weeks ended 3 October 2015 (continued)

13. Inventories

	3 October 2015	4 October 2014
	£'000	£'000
Goods for resale	28,991	29,073
Shop fitting materials and other consumables	181	108
	<u>29,172</u>	<u>29,181</u>

14. Trade and other receivables

	3 October 2015	4 October 2014
	£'000	£'000
Trade receivables	313	381
Prepayments	7,657	7,877
Other receivables	178	119
	<u>8,148</u>	<u>8,377</u>

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:

	3 October 2015	4 October 2014
	£'000	£'000
Derivative financial assets		
Derivatives not designated as hedging instruments	239	741
Derivatives designated as hedging instruments	314	-
	<u>553</u>	<u>741</u>

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 3 October 2015 were \$22,500,000 (4 October 2014: \$51,000,000). 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 3 October 2015 (continued)

16. Trade and other payables

Current

	3 October 2015	4 October 2014
	£'000	£'000
Trade payables	11,950	14,351
Social security and other taxes	1,727	1,049
Other payables	115	123
Accruals	9,857	10,397
	23,649	25,920

Non-current

	3 October 2015	4 October 2014
	£'000	£'000
Other payables	3,037	3,766
	3,037	3,766

Notes to the financial statements for the 52 weeks ended 3 October 2015 (continued)

17. Provisions

	Customer Returns	Dilapidations	Total
	£'000	£'000	£'000
As at 4 October 2014	372	1,057	1,429
Additions	48	588	636
Amounts utilised	(372)	(162)	(534)
Amounts released	-	(366)	(366)
As at 3 October 2015	48	1,117	1,165

The provisions are aged as follows:

	Customer Returns	Dilapidations	Total
	£'000	£'000	£'000
Current	48	754	802
Non-current	-	363	363
As at 3 October 2015	48	1,117	1,165

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.

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.

18. 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 (4 October 2014: £1,600,000).

Notes to the financial statements for the 52 weeks ended 3 October 2015 (continued)

19. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 20% (4 October 2014: 20%).

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

	3 October 2015	4 October 2014
	£'000	£'000
At beginning of the period	(516)	(343)
Recognised in income statement:		
Tax expense (note 10)	355	(647)
Recognised in other comprehensive income:		
Actuarial loss on defined benefit pension schemes	100	474
Foreign exchange contract	(63)	-
At end of the period	(124)	(516)

The deferred tax has arisen due to the following:

	3 October 2015	4 October 2014
	£'000	£'000
Accelerated capital allowances	1,204	1,254
Ineligible buildings	(2,247)	(2,575)
Short term timing differences	(111)	(148)
Defined benefit pension scheme	1,030	953
	(124)	(516)

The Group has an unrecognised deferred tax asset of £1,005,000 at 3 October 2015 (4 October 2014: £994,000). There are estimated losses available to offset against future capital taxable profits amounting to approximately £5,025,000 (4 October 2014: £4,970,000).

20. Share capital

	3 October 2015	4 October 2014
	£'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 3 October 2015 (continued)

21. 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	Land and buildings	Other	Other
	3 October 2015	4 October 2014	3 October 2015	4 October 2014
	£'000	£'000	£'000	£'000
Not later than one year	21,292	22,853	526	562
Later than one year and not later than five years	47,173	57,920	827	811
Later than five years	10,492	11,234	-	4
	78,957	92,007	1,353	1,377

22. Capital commitments

	3 October 2015	4 October 2014
	£'000	£'000
Contracted for but not provided	422	57

Notes to the financial statements for the 52 weeks ended 3 October 2015 (continued)

23. Pension costs

Defined contribution scheme

The Group operates a defined contribution pension scheme namely Shoe Zone Worksave Pension Plan contributions amounted to £875,000 (4 October 2014: £779,000).

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 £3,000 (4 October 2014: £3,000).

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 3 October 2015 (continued)

23. Pensions (continued)

Amounts recognised in the balance sheet at 3 October 2015

	3 October 2015	4 October 2014
	£'000	£'000
Fair value of assets	72,636	71,306
Present value of funded obligations	(77,786)	(76,072)
Deficit	(5,150)	(4,766)

Amounts recognised in other comprehensive income

	3 October 2015	4 October 2014
	£'000	£'000
Return on plan assets	715	2,592
Actuarial loss arising from changes in:		
Financial assumptions	(1,214)	(5,854)
Effect of limiting net defined benefit asset	-	891
Total actuarial loss	(1,214)	(4,963)
Deferred tax on employee benefit scheme	100	474
Total amount recognised in other comprehensive income	(399)	(1,897)

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 3 October 2015 for the purpose of calculating the pension surplus and disclosures in the current period.

Notes to the financial statements for the 52 weeks ended 3 October 2015 (continued)

23. Pensions (continued)

Post retirement mortality

	3 October 2015	4 October 2014
	Years	Years
Life expectancy		
Male currently aged 45	90	90
Female currently aged 45	92	92
Male currently aged 65	88	88
Female currently aged 65	90	90

Financial assumptions

	3 October 2015	4 October 2014
	%	%
Deferred pension revaluation	2.30	2.40
Pension increases	3.30	3.40
Discount rate	3.85	4.00
Consumer Price Index	2.30	2.40
Retail Price Index	3.30	3.50

The weighted average duration of the defined benefit obligation for the Shoe Zone scheme at 3 October 2015 is 16.5 years (4 October 2014 – 16.5 years).

The weighted average duration of the defined benefit obligation for the Shoefayre scheme at 3 October 2015 is 18.5 years (4 October 2014 – 18.5 years).

Defined benefit scheme - Shoe Zone Pension Scheme

Assets

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

Asset Category

	3 October 2015	4 October 2014
Equities	27%	27%
Property	10%	9%
Gilts/bonds	39%	40%
Cash	1%	-
Target Return Funds	23%	24%
	100%	100%

Notes to the financial statements for the 52 weeks ended 3 October 2015 (continued)

23. Pensions (continued)

Defined benefit scheme - Shoe Zone Pension Scheme (continued)

The actual return on the Scheme's assets net of expenses over the period to the review date was a gain of £2,001,000 (4 October 2014: £3,349,000).

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

	3 October 2015	4 October 2014
	£'000	£'000
Interest cost	(1,698)	(1,771)
Expected return on assets	1,666	1,811
	<u>(32)</u>	<u>40</u>

Amounts recognised in the statement of financial position

	3 October 2015	4 October 2014
	£'000	£'000
Fair value of assets	42,899	42,423
Present value of funded obligations	(44,168)	(43,217)
Deficit	<u>(1,269)</u>	<u>(794)</u>

Notes to the financial statements for the 52 weeks ended 3 October 2015 (continued)

23. Pensions (continued)

Defined benefit scheme - Shoe Zone Pension Scheme (continued)

Amounts recognised in other comprehensive income

	3 October 2015	4 October 2014
	£'000	£'000
Return on plan assets	335	1,538
Actuarial loss arising from changes in:		
Financial assumptions	(778)	(3,263)
Effect of limiting net defined benefit asset	-	891
Total actuarial loss	(778)	(2,372)
Deferred tax on employee benefit scheme	89	167
Total amount recognised in other comprehensive income	(354)	(667)

Reconciliation of assets and defined benefit obligation

The change in assets over the period was:

	3 October 2015	4 October 2014
	£'000	£'000
Fair value of assets at the beginning of the period	42,423	40,513
Expected return on assets	1,666	1,811
Benefits paid	(1,525)	(1,439)
Actuarial gain	335	1,538
Fair value of assets at the end of the period	42,899	42,423

Notes to the financial statements for the 52 weeks ended 3 October 2015 (continued)

23. Pensions (continued)

Defined benefit scheme - Shoe Zone Pension Scheme (continued)

The change in defined benefit obligation over the period was:

	3 October 2015	4 October 2014
	£'000	£'000
Defined benefit obligation at the beginning of the period	43,217	39,622
Interest cost	1,698	1,771
Benefits paid	(1,525)	(1,439)
Actuarial loss	778	3,263
Defined benefit obligation at the end of the period	44,168	43,217

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

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 1.0 years	+2%
Minus 1.0 years	-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 3 October 2015 (continued)

23. Pensions (continued)

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	3 October 2015	4 October 2014
Equities	13%	16%
Property	12%	11%
Gilts/bonds	47%	46%
Cash	1%	-
Target Return Funds	27%	27%
	100%	100%

The actual return on the Scheme's assets net of expenses over the period to the review date was a gain of £1,522,000 (4 October 2014: £2,280,000). 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

	3 October 2015	4 October 2014
	£'000	£'000
Fair value of assets	29,737	28,883
Present value of funded obligations	(33,618)	(32,855)
Net liability	(3,881)	(3,972)

Notes to the financial statements for the 52 weeks ended 3 October 2015 (continued)

23. Pensions (continued)

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

Amounts recognised in other comprehensive income

	3 October 2015	4 October 2014
	£'000	£'000
Return on plan assets	380	1,054
Actuarial loss arising from changes in:		
Financial assumptions	(436)	(2,591)
Total actuarial loss	(436)	(2,591)
Deferred tax on employee benefit scheme	11	307
Total amount recognised in other comprehensive income	(45)	(1,230)

Amounts recognised in the income statement over the period

	3 October 2015	4 October 2014
	£'000	£'000
Interest cost	(1,295)	(1,342)
Expected return on assets	1,142	1,226
	(153)	(116)

Notes to the financial statements for the 52 weeks ended 3 October 2015 (continued)

23. Pensions (continued)

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

Reconciliation of assets and defined benefit obligation

The change in assets over the period was:

	3 October 2015 £'000	4 October 2014 £'000
Fair value of assets at the beginning of the period	28,883	27,296
Expected return on assets	1,142	1,226
Employer contributions	300	425
Benefits paid	(968)	(1,118)
Actuarial gain on assets	380	1,054
Fair value of assets at the end of the period	29,737	28,883

The change in defined benefit obligation over the period was:

	3 October 2015 £'000	4 October 2014 £'000
Defined benefit obligation at the beginning of the period	32,855	30,040
Interest cost	1,295	1,342
Benefits paid	(968)	(1,118)
Actuarial loss on obligation	436	2,591
Defined benefit obligation at the end of the period	33,618	32,855

Contributions of £300,000 are expected to be made during the year ended 1 October 2016 by Shoe Zone Retail Limited.

Notes to the financial statements for the 52 weeks ended 3 October 2015 (continued)

23. Pensions (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%	-9%
Minus 0.50%	+10%
Inflation	
Plus 0.50%	+6%
Minus 0.50%	-4%
Life Expectancy	
Plus 1.0 years	+2%
Minus 1.0 years	-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.

24. Cash and cash equivalents

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

	3 October 2015	4 October 2014
	£'000	£'000
Cash at banks and in hand	14,221	9,114
Cash and cash equivalents	14,221	9,114

Notes to the financial statements for the 52 weeks ended 3 October 2015 (continued)

25. 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.

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

	52 weeks ended 3 October 2015	52 weeks ended 4 October 2014
	£'000	£'000
Interest paid	-	27

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

	52 weeks ended 3 October 2015	52 weeks ended 4 October 2014
	£'000	£'000
Rent paid to Zone Executive Pension Scheme	163	152
Contributions to the:		
Shoe Zone Worksave Pension Plan	872	776
Shoe Zone Pension Scheme	3	3
Shoefayre Limited Pension and Life Assurance Scheme	300	425
	1,338	1,356

Notes to the financial statements for the 52 weeks ended 3 October 2015 (continued)

25. Related party transactions (continued)

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

	52 weeks ended 3 October 2015	52 weeks ended 4 October 2014
	£'000	£'000
Short term employee benefits	860	757
Post-employment benefit	18	16
Employers national insurance	104	83
	982	856

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

Notes to the financial statements for the 52 weeks ended 3 October 2015 (continued)

26. 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.

	52 weeks ended 3 October 2015	52 weeks ended 4 October 2014
	£'000	£'000
Numerator		
Profit for the year and earnings used in basic and diluted EPS	8,101	8,040
Denominator		
Weighted average number of shares used in basic and diluted EPS	50,000,000	50,000,000

27. Ultimate controlling party

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

Company statement of financial position as at 3 October 2015

	Note	3 October 2015	4 October 2014
		£'000	£'000
Fixed assets			
Investments	2	68,644	70,586
		68,644	70,586
Current assets			
Debtors	3	14	7
		14	7
Creditors: amounts falling due within one year	4	(1,118)	(986)
Net current liabilities		(1,104)	(979)
Net assets		67,540	69,607
Capital and reserves			
Called up share capital	5	500	500
Merger reserve	6	586	586
Profit and loss account	6	66,454	68,521
Total shareholders' funds		67,540	69,607

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

A E P Smith
Chief Executive Officer
12 January 2016

Registered Number 08961190

Notes to the company financial statements for the 52 weeks ended 3 October 2015 (continued)

1. Accounting policies

Basis of preparation

The Company's financial period is 3 October 2015. 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 profit dealt with in the accounts of the Company was £1,333,000 (4 October 2014: loss of £979,000)

The financial statements have been prepared in accordance with Financial Reporting Standard 100 'Application of Financial Reporting Requirements' and Financial Reporting Standard 101 "Reduced Disclosure Framework". The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

As permitted by FRS 101, the company has taken advantage of all the disclosure exemptions available under that standard.

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 3 October 2015 (continued)

2. Fixed Asset Investments

	3 October 2015	4 October 2014
	£'000	£'000
Cost	70,586	70,586
Impairment of investment in Castle Acres Development Limited	(1,942)	-
Total	68,644	70,586

The 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
Castle Acres Development Limited	England & Wales	Property holding company	100% owned by company
Shoe Zone Retail Limited	England & Wales	Trading company	100% owned by company
Zone Property Limited	England & Wales	Property holding company	100% owned by company
Zone Group Limited	England & Wales	Non-trading company	100% owned by company
Shoe Zone (Ireland) Limited	England & Wales	Non-trading company	100% owned by Shoe Zone Retail Limited
Shoe Zone Pension Trustees Limited	England & Wales	Non-trading company	100% owned by Castle Acres Development Limited
Stead & Simpson Limited	England & Wales	Non-trading company	100% owned by Zone Group Limited
Zone Footwear Limited	England & Wales	Non-trading company	100% owned by Zone Group Limited
Zone Retail	England & Wales	Non-trading company	100% owned by Zone Group Limited
Walkright Limited	England & Wales	Non-trading company	100% owned by Zone Group Limited

Notes to the company financial statements for the 52 weeks ended 3 October 2015 (continued)

3. Debtors

	3 October 2015	4 October 2014
	£'000	£'000
Prepayments	14	7

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4. Creditors: amounts falling due within one year

	3 October 2015	4 October 2014
	£'000	£'000
Amounts owing to group undertakings	1,104	982
Accruals	14	4
	1,118	986

Governance

5. Share capital

	3 October 2015	4 October 2014
	£'000	£'000
Allotted, called up and fully paid:	500	500
50,000,0000 ordinary shares of 1p each	500	500

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6. Reserves

	Merger reserve	Profit and loss account
	£'000	£'000
At 4 October 2014	586	68,521
Profit for the financial period	-	1,333
Dividends paid during the year	-	(3,400)
At 3 October 2015	586	66,454

Shareholder information

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.

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 Haremead Business Centre, Humberstone Road, Leicester, Leicestershire LE1 2LH on Friday, 4 March 2016 at 11am to consider and, if thought fit, pass the resolutions set out below. Resolutions 1 to 13 will be proposed as ordinary resolutions and Resolution 14 will be proposed as a special resolution.

1. To receive and adopt the Company's annual accounts for the financial period ended 3 October 2015 and the associated reports of the Directors of the Company and the auditors of the Company.
2. To declare a final dividend of 6.5 pence per ordinary share for the financial period ended 3 October 2015.
3. To declare a special dividend of 6.0p per ordinary share.
4. To re-elect Ian Filby as a Director.
5. To re-elect Anthony Smith as a Director.
6. To re-elect Charles Smith as a Director.
7. To re-elect Nick Davis as a Director.
8. To re-elect Charlie Caminada as a Director.
9. To re-elect Jeremy Sharman as a Director.
10. 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 2017.
11. To authorise the Directors of the Company to determine the remuneration of BDO LLP as auditors of the Company.
12. 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 2017 and the conclusion of the annual general meeting of the Company to be held in 2017. 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.

13. 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,

Notice of Annual General Meeting (continued)

provided that this authority shall expire on the earlier of 31 March 2017 and the conclusion of the annual general meeting of the Company to be held in 2017, save that the Company may before such expiry make an offer or enter into an agreement which would or might require 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.

14. That, subject to the passing of resolution 13 proposed at the annual general meeting of the Company convened for 4 March 2016 ('Resolution 13') 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 13 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 13, 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 £50,000.00,

and shall expire on the earlier of 31 March 2017 and the conclusion of the annual general meeting of the Company to be held in 2017, 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
Date: 12 January 2016

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

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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 4TU or by telephone on 0871 664 0300. Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9.00 a.m. to 5.30 p.m. (London time) Monday to Friday excluding public holidays in England and Wales. 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 4TU 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

Notice of Annual General Meeting (continued)

Notes (continued)

4. Appointment of a proxy through CREST (continued)

CREST should be communicated to the appointee through other means.

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 2 March 2016 (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 12 January 2016 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 12 January 2016 were 50,000,000 votes.