shoezone

2016 Annual Report & Accounts

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

Shoe Zone is the leading UK Specialist Value Footwear Retailer

"In August 2016, months of planning and preparation came to fruition as we opened our first 'Big Box' store, going on to open three by the end of October. The 'Big Box' stores stock the full Shoe Zone range alongside some of the best known footwear brands with a new concept store environment and updated brand image."

- Nick Davis, C.E.O.

Shoe Zone Big Box in Durham, following the launch of a new concept store 26 August 2016

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Financial Highlights

Revenue	Profit before tax	Net cash
£159.8m	**£10.3m**	**£15.0m**
(2015: £166.8m)[1]	(2015: £10.1m)	(2015: £14.2m)

Product gross margin	Earnings per share	Interim dividend
62.0%	**16.9p**	**3.3p**
(2015: 61.5%)	(2015: 16.2p)	

Final dividend	Total dividend	Special dividend
6.8p	**10.1p**	**8.0p**

[1] Reduction due to planned closure of unprofitable stores and difficult trading conditions in H1

Chief Executive's Report

Introduction

The 2016 financial year was a positive year for Shoe Zone given the challenging retail environment we faced. We have continued to make good progress on our core strategy while maintaining our robust cost control and effective property portfolio management

The business delivered revenue of £159.8m (2016: £166.8m) and continues to generate cash effectively from a sound financial position and a debt free balance sheet. Profit before tax increased by 1.1% to £10.3m (2015: £10.1m) while earnings per share increased 4.3% to 16.9p (2015: 16.2p).

Dividends

Following another successful year of cash generation, the business closed with £15.0m of cash. As a result, the Board is proposing two dividends to be paid: a final dividend of 6.8p per share (2015: 6.5p), resulting in a total dividend for the year of 10.1p (2015: 9.7p) per share, and a special dividend of 8.0p per share (2015: 6.0p). The total distribution for the year of 18.1p (2015: 15.7p) represents an increase of 15.3% over the previous year.

The aim of the special dividend is to distribute any surplus cash back to shareholders. We continue to believe the business can operate on an opening/closing cash position of £11m and any excess above this level will be paid out to shareholders unless there is a change in business requirement.

The dividends will be paid to shareholders on the register on 24 February 2017, payable on 15 March 2017 if approved at the Annual General Meeting to be held on 2 March 2017. The shares will be ex-dividend on 23 February 2017.

Product

We remain committed to offering our customers the best value possible and have maintained key price points for our Core Value Lines despite difficult currency headwinds. Along with our low prices we have increased the value proposition by extending the number of lines in multi-buy deals (e.g. '2 for £8'). This, along with range enhancements has improved average transaction value by 5% during the year. We have continued to increase our direct sourcing and as a result, footwear orders placed directly with overseas factories increased to 72.2% (2015: 62.1%) of total footwear orders. Working closely with our source of manufacture has helped maintain gross product margins as well as improving communication and control across the supply chain.

Chief Executive's Report (continued)

Non-footwear ranges including handbags, school bags, lunch boxes, purses and accessories continue to grow with sales from non-footwear up 26% on the previous year.

Our 'right price, first time' strategy which helps control the amount of markdown value as a percentage of turnover, continues to ensure we are industry leaders in driving low markdown. This year was no exception in achieving a level of 7.1%. (2015: 6.3%).

In July 2016 we appointed a new Brands Manager to develop a range of brands to complement the existing Shoe Zone range both online and in our new 'Big Box' stores.

Stores

We closed the year operating from 510 stores with 17 new store openings (including 10 relocations). We completed 41 refits during the year, at a total capital expenditure of £3.4m. We will continue to optimise our store portfolio and close loss making stores to drive profitability. We believe that approximately 500 stores is the right number for our standard Shoe Zone offering.

We continue to drive profitability by opening larger Grade 1 stores and closing smaller Grade 3 stores which is demonstrated in the following table.

	Stores at 1 October 2016	Stores at 3 October 2015	Stores at 4 October 2014
Big Box	2	-	-
Grade 1 (large)	284	231	203
Grade 2 (medium)	110	168	178
Grade 3 (small)	114	136	164
TOTAL	**510**	**535**	**545**

Our trend of falling rents continues (albeit at a slower pace) with rents at the lease renewal date in the 12 months falling by 17% (2015: 27.2%). We expect that rent reductions will continue to be realised and will be complemented with a reduction in rates payable following the government's review of business rates.

The business continues to benefit from a flexible portfolio with an average lease length of only 2.6 years. Our lease structure gives us significant opportunity to respond to changes in shopping habits in any retail location.

As part of our ongoing investment in updating our store portfolio we have developed new store branding with a more contemporary feel. The new modern logo will be rolled out with future store refits and has already been adopted in all instore and web marketing.

Project 'Big Box'

We have had a very encouraging start to the launch of our new trial Project 'Big Box'. During August and September we opened two stores, Launceston (Cornwall) and Durham, followed by Kirkstall Bridge (Leeds) post the period end in October. These stores on average are twice the size of a Grade 1 store and benefit from an enhanced branded product range, driving a higher average transaction value in an enhanced shopping environment. The three trial stores are all located out of town and therefore this concept creates significant opportunity for Shoe Zone in this space with all future openings being out of town location or in larger high street units. This new growth opportunity is a key strategic development for the business, broadening the reach of the Shoe Zone brand and enabling us to improve our market share.

Chief Executive's Report (continued)

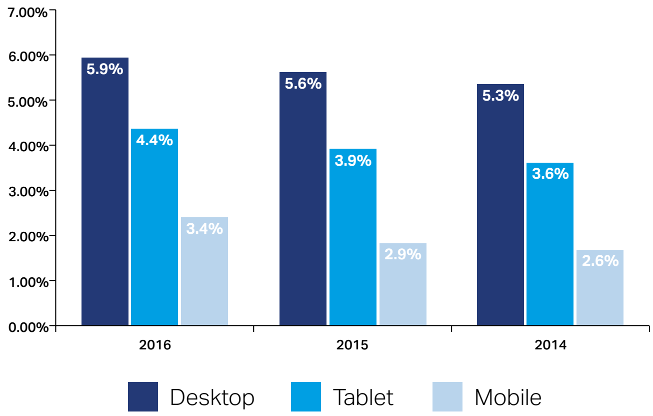
E-commerce

In the summer of 2016, the Group's e-commerce operations were moved to a dedicated online distribution zone in the Leicester distribution centre. This segregated area now holds the majority of online stock with close links to online administration and customer services. This development has improved the customer focus creating a cleaner environment with stronger quality control, more accurate stock availability with faster processing times. It has also improved efficiency in the main distribution centre that can now focus on servicing the store network.

shoezone.com has had another successful year with a significant shift to selling through mobile devices. Mobile and tablet visits now represent 74.9% (2015: 66%) of all website visits.

Customer acquisition is a key strategic objective for our online team and our database has grown by 12% during the year even after a refining process was undertaken to concentrate on active users. We have capitalised on this by sending 12m more emails with greater relevance. Email campaign sales increased by 36% on the prior year and now account for 12% of site revenue.

Our conversion rates continue to increase across all devices and we achieved 4.29% over the full year (2015: 4.06%). Instilling a 'mobile first' design and implementation ethos has grown mobile conversion to 3.39% (2015: 2.88%). Conversion rates on mobile phones are always likely to be lower than desktops, but we believe we can continue to narrow the gap. The following chart shows the conversion rates (the percentage of people visiting our website that place an order) for customers shopping using different devices:



Our e-commerce strategy has always been based on driving profitability while not focusing on turnover growth. On this basis we have restricted the sale of lower price product on our Amazon and Ebay platforms that struggled to absorb postage and commission costs. This has slowed revenue growth across these channels but resulted in improved cash margin achieved. Overall multichannel revenue is up 11% on the prior year.

Employees and Charity

As previously announced, during 2016 Ian Filby stepped down as Non-Executive Chairman to enable Anthony Smith, the former CEO, to move to the role of Executive Chairman. Anthony has led Shoe Zone for 20 years through a series of acquisitions and the Company's IPO in 2014. Anthony will continue to have a hands-on role in the Company and will have particular responsibility for the property portfolio and strategy. Following Anthony's appointment, Nick Davis was appointed CEO. Nick has been with the business for 13 years and was the natural successor to drive the Company's growth plans. Jeremy Sharman became Non-Executive Deputy Chairman. Jeremy had been a Non-Executive Director since the IPO and will chair the Audit committee and sit on the Remuneration committee. Jonathan Fearn was appointed as Finance Director. Jonathan has extensive experience in strategic and commercial finance having worked for Celesio Group (UK) (formally LloydsPharmacy) since 2002.

We are incredibly proud of all of our team's effort that has gone in to achieve these results and want to thank them for their ongoing commitment and hard work. We are very thankful for all of the creativity and enthusiasm that has resulted in us collectively raising approximately £150,000 for our chosen charity BBC Children in Need.

Chief Executive's Report (continued)

Current trading and Outlook

The outlook for consumer spending looks challenging with the current difficult economic conditions likely to continue. Despite this, we are well positioned given our strong value proposition that has proven to be robust in challenging market conditions. We are exposed to fluctuations in the value of sterling but have put significant work into managing the risk through foreign currency hedging and re-sourcing. While we anticipate this pressure may be here for some time we expect to broadly maintain our gross margin percentages.

We have continued to manage the store portfolio having opened six new stores since the year end and refitted four. Early signs are that the changes we have made to store rebranding has been favourably received with customers. There are currently five new stores with provisional opening dates and a further 39 full refits planned for the remainder of the year.

We plan to open a further six Big Box stores in 2017 at various locations across the UK. These stores will be a mix of out of town and high street locations but will all operate with the new contemporary format, offering a good brand mix, extended product range and broad customer appeal. If the trial continues to be a success through 2017 we will look to accelerate the opening programme of these stores into 2018 and beyond.

We expect the business will continue to convert cash effectively but anticipate a small increase in both capital expenditure and contribution to defined benefit pension schemes. We anticipate spending an additional £1.0m more in 2017 on store opening, refits and head office improvements. We are currently contributing £600k to one of our pension schemes and are in discussions around the ongoing funding with the trustees of our two schemes.

Our multichannel offering has had some exciting developments since the year end and we are now trading on Amazon marketplaces in France, Germany, Spain and Italy. We plan to continue to grow into new international online marketplaces throughout 2017. Following a Google algorithm change in September we have experienced a step up in organic search on shoezone.com that is also very encouraging. Further online growth in 2017 will come from investment in 'Personalisation', implementing new technology to enable us to enhance our conversion rate optimisation, giving our customer a more personal shopping experience.

Shoe Zone has made a solid start to the year and trading is in line with expectations. We are making good progress against our strategic objectives and the board remains positive about the outlook for the Group for the remainder of the year.

Financial Review

In the 52 weeks to 1 October 2016, Group profit before tax ('PBT') increased to £10.3m (2015: £10.1 m), an increase of 1.1% on last year. PBT margin also increased to 6.4% (2015: 6.1%).

Revenues of £159.8m (2015: £166.8m) declined by 4.2% due to the planned closure of loss making stores and as a result of difficult trading conditions in the first half. Store numbers reduced by a net 25 branches to 510 at the year end (2015: 10 branches closed leaving a total of 535).

Multi-channel revenues (excluding store orders) have continued to grow achieving 11.4% during the year (2015: 39.4%), and have developed to 3.9% of total sales (2015: 3.3%).

Product gross margin strengthened to 62.0% (2015: 61.5%) reflecting further increases in direct sourcing and management of write downs.

Operating expenses increased to £17.4m (2015: £17.0m). Administration expenses, which increased by £0.7m largely due to the impact of unhedged foreign exchange differences were, offset by continuing efficiencies in distribution costs.

The effective rate of corporation tax for the year was 21.8% on PBT (2015: 24.4%).

Earnings per share increased 4.3% to 16.9p (2015: 16.2p).

During the year we opened 17 new stores and completed 41 refits, spending £3.4m on capital expenditure.

The Group supports two defined benefit schemes. The accounting valuation as at 1 October 2016 indicates a deterioration of £7.9m within the year (before deferred tax). This reflects an increase in the fair value of assets by £7.1m offset by an increase in the present value of the funded obligations of £15.0m which is due to significant falls in corporate bond yields over the year resulting in a higher value being placed on the liabilities of the scheme. The actuarial valuations for the schemes are currently in progress and the company is in discussions with the trustees on the options for the future funding of these schemes.

The Company continues to utilise a formal financial derivative hedging policy. The Group uses derivative financial instruments, typically forward exchange contracts, to hedge the risk of future foreign currency fluctuations. The hedging policy enables the effective portion of changes in the fair value of designated derivatives to be recognised in other comprehensive income. Historically these movements would have been recognised in the income statement. Further information can be seen in accounting policies note 1 of the financial statements. The Group closed the year with a derivative financial asset of £0.7m; all of which has been involved in a formally designated hedge.

The business has a debt free financial structure and generated £13.9m cash from operations, a year on year increase of £2.3m resulting in a net cash position of £15.0m (2015: £14.2m) at the year end, underpinning a strong balance sheet. The Group's current bank facilities consist of an on demand overdraft facility of £5.0m with HSBC. This facility has not been used within the year.

The Board is proposing two dividends to be paid; a final dividend of 6.8p (2015: 6.5p) per share and a special dividend of 8.0p (2015: 6.0p) per share. The special dividend is being proposed as the business has £4.1m of excess cash, £11m is currently deemed to be the maximum cash the business requires to operate effectively. The dividends will be paid to shareholders on the register on 24 February 2017, payable on 15 March 2017 if approved at the Annual General Meeting to be held on 2 March 2017.

Nick Davis
Chief Executive Officer
10 January 2017

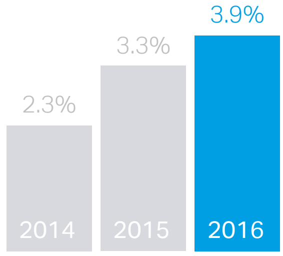
Key Performance Indicators

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.

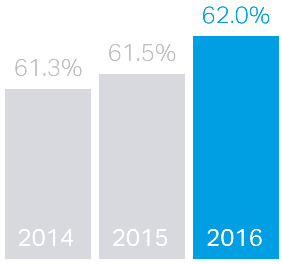
The online participation increased by 60 basis points to 3.9% (2015: 3.3%). This performance reflects the growth of our offering on Ebay and Amazon.



Product Gross Margin %

Product Gross Profit expressed as a percentage of revenue.

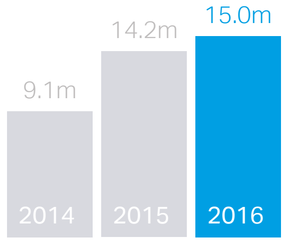
The Product Gross Margin increased by 50 basis points to 62.0% (2015: 61.5%) reflecting the continued success of increasing our direct sourcing.



Cash Balance

Cash held by the Group at the period end.

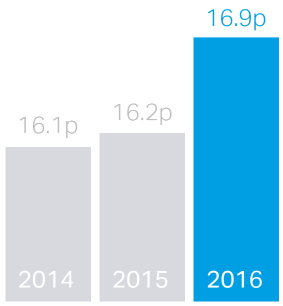
We finished the year with a healthy cash balance of £15.0m (2015: £14.2m).



Earnings per Share Growth

The percentage movement in Earnings per share.

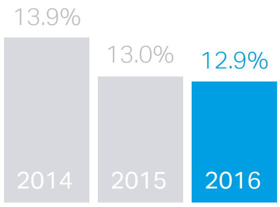
Earnings per Share made a significant improvement this year despite the fall in turnover. EPS for the year is 16.9p (2015:16.2p).



Rental % of Turnover

Store rent as a percentage of turnover.

The rental % of turnover has reduced from 13.0% to 12.9% reflecting the ongoing focus on 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.

In recent months the UK Government has confirmed the aim to pursue the exit of the UK from the EU. This has caused some uncertainty in the both the equity and the currency markets. Shoe Zone operates a hedging policy for US dollar purchases which protects the business from this exposure in the short term. It is unclear what the longer term impacts of Brexit will be on the UK and international economies.

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 and to a lesser extent 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

Principal Risks and Uncertainties (continued)

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 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.

During the past year the Business Continuity Plan has been refreshed and key employees briefed on their responsibilities in the case of the unlikely scenario of disruption to the Leicester premises. The business retains appropriate insurance 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, anitspam 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

N J Davis
Chief Executive Officer
Date: 10 January 2017

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 (including the Chairman) and three Non-Executive Directors. 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 Jeremy Sharman. 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

Anthony Smith
Executive Chairman

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 was appointed Executive Chairman in June 2016. 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 Executive Officer

Nick joined Shoe Zone in 2003 as Management Accountant from PKF where he had been a Senior Business Advisor in Audit and Assurance. Nick became Financial Controller of Shoe Zone in 2005 and then joined the Board as Finance Director in 2006. As Chief Financial Officer in 2014 he successfully joint led the company's IPO process and has recently in 2016 been appointed as Chief Executive Officer. 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.

Charles Smith
Chief Operating Officer

Charles joined Shoe Zone in 1998 and quickly progressed through Store Manager and Area Manager, joining 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 and HR. 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.

Board of Directors (continued)

Jeremy Sharman
Non-Executive Deputy Chairman

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.

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.

Malcolm Collins
Non-Executive Director

Malcolm Collins joined the Board as a Non-Executive Director in June 2016. Malcolm has extensive experience in retail, most recently as Group Buying and Design Director for footwear and accessories at New Look. Malcolm oversaw the group's £550m footwear division which he and his team grew from a zero base to market leaders, representing 30% of group turnover. Prior to Malcolm's 16 years at New Look, he spent 23 years at the international retailer, wholesaler and manufacturer, Clarks Shoes. Malcolm worked in a number of roles during his career at Clarks, including 13 years as Womens Footwear Buyer.

Remuneration Report

This is the Company's third 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 Jeremy Sharman 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

Directors and Directors' interests

The Directors listed below all served throughout the year. 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%
Nick Davis	15,700 (3)	0.03%
Charles Smith	11,109,408 (2)	22.22%
Non-Executive Directors		
Ian Filby	Nil	-
Jeremy Sharman	234,375	0.47%
Charlie Caminada	15,625	0.03%
Malcolm Collins	Nil	-

(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	**FY16**	**250,000**	**-**	**36,338**	**-**	**286,338**
	FY15	250,000	-	35,373	-	285,373
Nick Davis	**FY16**	**162,657**	**72,000**	**10,304**	**19,000**	**263,961**
	FY15	143,594	79,269	10,444	17,931	251,238
Charles Smith	**FY16**	**200,000**	**-**	**29,158**	**-**	**229,158**
	FY15	200,000	-	21,354	-	221,354
Non–Executive Directors						
Ian Filby	**FY16**	**41,666**	**-**	**-**	**-**	**41,666**
	FY15	60,000	-	-	-	60,000
Jeremy Sharman	**FY16**	**30,000**	**-**	**-**	**-**	**30,000**
	FY15	30,000	-	-	-	30,000
Charlie Caminada	**FY16**	**30,000**	**-**	**-**	**-**	**30,000**
	FY15	30,000	-	-	-	30,000
Malcolm Collins	**FY16**	**5,493**	**-**	**-**	**-**	**5,493**
	FY15	-	-	-	-	-
Total	**FY16**	**719,816**	**72,000**	**75,800**	**19,000**	**886,616**
	FY15	713,594	79,269	67,171	17,931	877,965

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 with effect from 1 May 2014. Salaries for the current year are set out below:

	£
Anthony Smith	250,000
Nick Davis	200,000
Charles Smith	160,000

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, Charles Smith, and 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:

	£
Jeremy Sharman	30,000
Charlie Caminada	30,000
Malcolm Collins	20,000

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
Date: 10 January 2017

Directors' Report for the 52 weeks ended 1 October 2016

The Directors present their Annual Report and audited financial statements of the Company and the Group for the 52 weeks ended 1 October 2016.

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 1 October 2016 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 4 March 2016, 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 2017 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:

Ian Filby (Resigned 21 June 2016)
Anthony Smith
Nick Davis
Charles Smith
Jeremy Sharman
Charlie Caminada
Malcolm Collins (Appointed 21 June 2016)

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 3,561 (3 October 2015: 3,721) 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.

Annual general meeting

The Company's third AGM will be held on Thursday, 2 March 2017 at 11am at the Company's registered office at Haramead Business Centre, Humberstone Road, Leicester, Leicestershire LE1 2LH. The Notice of AGM appears on pages 70 to74.

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

Directors' Report for the 52 weeks ended 1 October 2016 (continued)

Dividends (resolutions 2 and 3)

Final Dividend

The Directors are proposing a final dividend of 6.8p per ordinary share, amounting to a total dividend of approximately £3.4m, 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 8.0p 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 £4m (in addition to the final dividend proposed in resolution 2), which is structured as a special dividend of 8.0p 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 election or re-election (as the case maybe) 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 period 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 13,14 and 15)

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 10 January 2017. 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 10 January 2017).

Resolutions 14 and 15 concern 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 £25,000 (being 2,500,000 shares). This is the equivalent to approximately 5% of the issued share capital of the Company on 10 January 2017. This resolution also disapplies statutory pre-emption rights to the extent necessary to facilitate rights issues.

Resolution 15 is being proposed as a separate resolution to authorise the Directors to allot a further 5% of issued ordinary share capital of the Company otherwise than in connection with a pre-emptive offer for the purposes of financing a transaction (or refinancing within six months of the transaction) which the Directors determine to be an acquisition or other capital investment contemplated by the Pre-emption Group's Statement of Principles (the 'Pre-emption Group Principles').

These disapplication authorities are in line with the authority sought at last year's AGM and with institutional shareholder guidance, in particular the Pre-emption Group Principles. The Pre-emption Group Principles were updated in March 2015 and provide the Company with greater flexibility to undertake non-pre-emptive issuances in connection with acquisitions and specified capital investments by allowing

Directors’ Report for the 52 weeks ended 1 October 2016 (continued)

the Company to allot shares with a nominal value of up to £25,000 (representing 5% of the issued share capital of the Company as at 10 January 2017 for cash where that allotment is in connection with an acquisition or specified capital investment (as described in the Pre-emption Group 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.

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.

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 2018 or 31 March 2018, 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 28 February 2017.

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 auditor

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 from the Group’s bankers 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 April 2017. The RCF requires the Group to comply with certain financial covenants; these have been met during the year, and since the year-end. The RCF has not been utilised since inception. The Directors have reviewed forecasts and projections and consider that the Group has adequate banking facilities and cash resources to meet its operational and capital commitments. The Directors therefore have a reasonable basis on which to satisfy themselves that the business is a going concern.

Directors' Report for the 52 weeks ended 1 October 2016 (continued)

Events after the year-end

Between 1 October 2016 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:

N J Davis
Chief Executive Officer
Date: 10 January 2017

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 1 October 2016 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 1 October 2016 and of the group's profit for the 52 week 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
Nottingham

Date: 10 January 2017

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

Consolidated Income Statement for the 52 weeks ended 1 October 2016

	Note	**52 weeks ended 1 October 2016 £'000**	52 weeks ended 3 October 2015 £'000
Revenue	1, 4, 8	**159,834**	166,819
Cost of sales	5	**(132,022)**	(139,503)
Gross profit		**27,812**	27,316
Administration expenses	5	**(11,657)**	(10,939)
Distribution costs	5	**(5,769)**	(6,095)
Profit from operations		**10,386**	10,282
Finance income	9	**56**	44
Finance expense	9	**(190)**	(186)
Profit before taxation		**10,252**	10,140
Taxation	10	**(1,801)**	(2,039)
Profit attributable to equity holders of the parent		**8,451**	8,101
Earnings per share – basic and diluted	26	**16.90p**	16.20p

Consolidated Statement of Total Comprehensive Income for the 52 weeks ended 1 October 2016

	Note	52 weeks ended 1 October 2016 £'000	52 weeks ended 3 October 2015 £'000
Profit for the period		**8,451**	8,101
Items that will not be reclassified subsequently to the income statement			
Remeasurement losses on defined benefit pension scheme	23	**(8,190)**	(499)
Movement in deferred tax on pension schemes	23	**1,474**	100
Effect of change in deferred tax rate on opening liability		**(362)**	-
Items that will be reclassified subsequently to the income statement			
Fair value movements on cash flow hedges		**1,683**	314
Cash flow hedges recognised in inventories		**(1,667)**	-
Tax on cash flow hedges		**(3)**	(63)
Effect of change in deferred tax rate on opening liability		**6**	-
Other comprehensive expense for the period		**(7,059)**	(148)
Total comprehensive income for the period attributable to equity holders of the parent		**1,392**	7,953

Consolidated Statement of Financial Position as at 1 October 2016

	Note	52 weeks ended 1 October 2016 £'000	52 weeks ended 3 October 2015 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	**18,661**	18,688
Deferred tax asset	19	**1,441**	-
Total non-current assets		**20,102**	18,688
Current assets			
Inventories	13	**30,075**	29,172
Trade and other receivables	14	**7,204**	8,148
Derivative financial assets	15	**651**	553
Cash and cash equivalents	24	**15,046**	14,221
Total current assets		**52,976**	52,094
Total assets		**73,078**	70,782
Current liabilities			
Trade and other payables	16	**(25,348)**	(23,649)
Provisions	17	**(922)**	(802)
Corporation tax liability		**(1,583)**	(1,373)
Total current liabilities		**(27,853)**	(25,824)
Non-current liabilities			
Trade and other payables	16	**(2,316)**	(3,037)
Provisions	17	**(75)**	(363)
Employee benefit liability	23	**(13,058)**	(5,150)
Deferred tax liability	19	**-**	(124)
Total non-current liabilities		**(15,449)**	(8,674)
Total liabilities		**(43,302)**	(34,498)
Net assets		**29,776**	36,284
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		**270**	251
Retained earnings		**26,344**	32,871
Total equity and reserves		**29,776**	36,284

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

N J Davis
Chief Executive Officer
Date: 10 January 2017

Registered Number 08961190

Consolidated Statement of Changes in Equity for the 52 weeks ended 1 October 2016

	Share capital	Merger reserve	Cash flow hedge reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
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
Profit for the period	-	-	-	8,451	8,451
Other comprehensive income	-	-	19	(7,078)	(7,059)
Total comprehensive income for the period	-	-	19	1,373	1,392
Dividends paid during the year (note 11)	-	-	-	(7,900)	(7,900)
Total contributions by and distributions to owners	-	-	-	(7,900)	(7,900)
At 1 October 2016	**500**	**2,662**	**270**	**26,344**	**29,776**

Share capital comprises nominal value of shares subscribed for.

The merger reserve has arisen as a result of the application of merger accounting to the group reorganisation of 26 March 2014.

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 1 October 2016

	Note	52 weeks ended 1 October 2016 £'000	52 weeks ended 3 October 2015 £'000
Operating activities			
Profit after taxation		**8,451**	8,101
Corporation tax		**1,801**	2,039
Finance income		**(56)**	(44)
Finance expense		**190**	186
Depreciation of property, plant and equipment		**3,153**	3,713
Impairment of property, plant and equipment		**-**	459
Loss on disposal of property, plant and equipment		**309**	46
Pension contributions paid		**(472)**	(300)
		13,376	14,200
Decrease in trade and other receivables		**861**	303
Decrease in foreign exchange contract		**239**	501
(Increase)/Decrease in inventories		**(1,224)**	9
Increase/(Decrease) in trade and other payables		**821**	(3,148)
Decrease in provisions		**(168)**	(264)
		529	(2,599)
Cash generated from operations		**13,905**	11,601
Income taxes paid		**(2,041)**	(1,538)
Net cash flows from operating activities		**11,864**	10,063
Investing activities			
Purchase of property, plant and equipment		**(3,195)**	(1,879)
Sale of property, plant and equipment		**-**	280
Interest received		**56**	44
Net cash used in investing activities		**(3,139)**	(1,555)
Financing activities			
Dividends paid during the year	11	**(7,900)**	(3,400)
Interest paid		**-**	(1)
Net cash used in financing activities		**(7,900)**	(3,401)
Net increase in cash and cash equivalents		**825**	5,107
Cash and cash equivalents at beginning of period		**14,221**	9,114
Cash and cash equivalents at end of period	24	**15,046**	14,221

Notes to the Financial Statements for the 52 weeks ended 1 October 2016

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 Haramead Business Centre, Humberstone Road, Leicester, LE1 2LH. The company registered number of the Company is 8961190.

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

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied for the 52 weeks ended 1 October 2016.

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

The consolidated financial statements have been prepared on a going concern basis and under the historical cost convention, as modified for the revaluation of 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 1 October 2016. 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.

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.

There were no significant standards or interpretations effective for the first time for periods beginning on or after 4 October 2015. None of the amendments to Standards that are effective from that date had a significant effect on the Group's financial statements.

- Annual Improvements to IFRSs 2012–2014 Cycle
- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments
- IFRS 16 Leases

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.

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.

Notes to the Financial Statements for the 52 weeks ended 1 October 2016 (continued)

1. Accounting policies (continued)

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.

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 in cost of sales, 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.

1. Accounting policies (continued)

Derivative financial instruments and hedging activities (continued)

Amounts accumulated in equity are reclassified to inventories in the period when the purchase occurs, matching the hedged transaction. The cash flows are expected to occur and impact on profit and loss within 12 months from the year end.

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.

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.

1. Accounting policies (continued)

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 are offset when the Group has legally enforceable rights to set off current tax assets against current tax liabilities and the deferred tax liabilities relate to taxes levied by the same tax authority on either:

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

Provisions

Provision for dilapidations is made at the best estimate of the expenditure required to settle the obligation at the reporting date, where material, discounted at the pre-tax rate reflecting current market assessments of the time value of money and risks specific to the liability. 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.

Notes to the Financial Statements for the 52 weeks ended 1 October 2016 (continued)

1. Accounting policies (continued)

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 1 October 2016 (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.

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.

3. Financial instruments – risk management (continued)

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

	52 weeks ended 1 October 2016 £'000	52 weeks ended 3 October 2015 £'000
Financial assets at amortised cost		
Trade receivables	333	313
Other receivables	195	178
Cash and cash equivalents	15,046	14,221
Total receivables	15,574	14,712
Financial assets at fair value through profit or loss	321	239
Financial assets at fair value through other comprehensive income	330	314
Total financial assets	651	553

	52 weeks ended 1 October 2016 £'000	52 weeks ended 3 October 2015 £'000
Financial liabilities		
Trade and other payables	22,816	20,851
Total financial liabilities at amortised cost	22,816	20,851

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 1 October 2016 and 3 October 2015.

Trade and other receivables are measured at 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 amortised cost.

3. Financial instruments – risk management (continued)

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 1 October 2016 the Group has trade receivables of £333,000 (3 October 2015: £313,000).

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 £110,000.

The Directors are unaware of any factors affecting the recoverability of outstanding balances at 1 October 2016 and previously and consequently no provisions have been made for bad and doubtful debts.

All cash balances and derivative financial instruments 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.

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
At 1 October 2016	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Trade and other payables	**22,816**	-	-	-	-
Total	**22,816**	-	-	-	-

	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 3 October 2015	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Trade and other payables	20,851	-	-	-	-
Total	20,851	-	-	-	-

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Notes to the Financial Statements for the 52 weeks ended 1 October 2016 (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 contacts has been determined based on discounted market forward currency exchange rates at the balance sheet date.

Foreign Currency: Sensitivity Analysis

A sensitivity rate of 10% represents the directors' assessment of a reasonably possible change, based on historic volatility.

The analysis assumes that exchange rate fluctuations on currency derivatives that form part of an effective cash flow hedge relationship affect the fair value reserve in equity and the fair value of the hedging derivatives. For foreign exchange derivatives which have ceased to have a hedging relationship, these movements in exchange rates impact the income statement.

Positive figures represent an increase in profit or equity.

	Income Statement		Equity	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Sterling strengthens by 10%	660	527	1,539	1,346
Sterling weakens by 10%	(806)	(644)	(1,880)	(1,645)

Year end exchange rates applied in the above analysis are US Dollar 1.30 (2015: 1.52). Strengthening and weakening of Sterling may not produce symmetrical results depending on the proportion and nature of foreign exchange derivatives which cease to qualify for hedge accounting.

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.

3. Financial instruments – risk management (continued)

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 £29,776,000 (3 October 2015: £36,284,000).

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 cash resources whenever possible.

4. Revenue

	52 weeks ended 1 October 2016	52 weeks ended 3 October 2015
	£'000	£'000
Revenue arises from:		
Sales of goods	**159,834**	166,819

Notes to the Financial Statements for the 52 weeks ended 1 October 2016 (continued)

5. Expenses by nature

	52 weeks ended 1 October 2016 £'000	52 weeks ended 3 October 2015 £'000
Inventories recognised as an expense	**54,756**	57,986
Carriage charges on purchases	**1,726**	2,099
Duty charges on purchases	**4,762**	4,733
Employee benefit expenses	**36,206**	36,285
Depreciation of property, plant and equipment	**3,153**	3,713
Impairment of property, plant and equipment	**-**	459
Operating lease expense:		
▪ Other	**631**	682
▪ Land and buildings	**21,722**	23,493
Loss on disposal of property, plant and equipment	**309**	51
Branch running costs	**17,337**	17,866
Transportation expenses	**1,251**	1,287
Advertising expenses	**1,015**	1,029
Financial instruments movement	**239**	502
Gain/(Loss) on Foreign Exchange	**460**	(163)
Other costs	**5,881**	6,515
	149,448	156,537

Notes to the Financial Statements for the 52 weeks ended 1 October 2016 (continued)

6. Auditor's remuneration

	52 weeks ended 1 October 2016	52 weeks ended 3 October 2015
	£'000	£'000
	5	5
The audit of the parent company	**53**	53
The audit of the company's subsidiaries	**58**	58

7. Employee benefit expenses

	52 weeks ended 1 October 2016	52 weeks ended 3 October 2015
	£'000	£'000
Employee benefit expenses (including Directors) comprise:		
Wages and salaries	**33,545**	33,670
Social security costs	**1,729**	1,740
Other pension costs	**932**	875
	36,206	36,285

The average monthly number of employees during the period was as follows:	**52 weeks ended 1 October 2016**	52 weeks ended 3 October 2015
	No.	No.
Sales and distribution	**3,495**	3,701
Directors	**6**	6
Administration	**155**	154
	3,656	3,861

7. Employee benefit expenses (continued)

The average monthly number of full time equivalent employees during the period was 1,794 (2015: 1,884).

	52 weeks ended 1 October 2016	52 weeks ended 3 October 2015
	£'000	£'000
Directors' remuneration, included in staff costs:		
Salaries and benefits	**868**	860
Pension contributions	**19**	18
	887	878
Information regarding the highest paid Director is as follows:		
Salary and benefits	**286**	285
Pension contribution	**-**	-
	286	285

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 Chairman, Chief Executive Officer and Chief Operating 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 1 October 2016	52 weeks ended 3 October 2015
	£'000	£'000
External revenue by location of customers:		
United Kingdom	**154,463**	161,761
Republic of Ireland	**5,371**	5,058
	159,834	166,819

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

Notes to the Financial Statements for the 52 weeks ended 1 October 2016 (continued)

8. Segmental information (continued)

	52 weeks ended 1 October 2016 £'000	52 weeks ended 3 October 2015 £'000
Non-current assets by location:		
United Kingdom	**18,661**	18,688

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

9. Finance income and expenses

	52 weeks ended 1 October 2016 £'000	52 weeks ended 3 October 2015 £'000
Finance income		
Interest receivable	**56**	44
Total finance income	**56**	44
Finance expense		
Other interest payable	**-**	(1)
Net interest expense on defined benefit pension scheme	**(190)**	(185)
Total finance expense	**(190)**	(186)

Notes to the Financial Statements for the 52 weeks ended 1 October 2016 (continued)

10. Income Tax

	52 weeks ended 1 October 2016 £'000	52 weeks ended 3 October 2015 £'000
Current tax expense		
Current tax on profits for the period	**2,238**	2,477
Adjustment for under provision in prior periods	**12**	(83)
Total current tax expense	**2,250**	2,394
Deferred tax expense		
Origination and reversal of temporary differences (note 19)	**(449)**	(355)
Tax charge on profit on ordinary activities	**1,801**	2,039

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 1 October 2016 £'000	52 weeks ended 3 October 2015 £'000
Profit for the period	**8,451**	8,101
Income tax expense	**1,801**	2,039
Profit before income taxes	**10,252**	10,140
Expected tax charge based on corporation tax rate of 20% (3 October 2015: 20.5%)	**2,050**	2,079
Expenses not deductible for tax purposes	**29**	57
Effective change of rate	**(359)**	8
Adjustments to tax charge in respect of previous period	**81**	(105)
Total tax expense	**1,801**	2,039

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 17% from 1 April 2020. Deferred tax has been calculated at 18% being the rate at which the timing differences are expected to reverse.

11. Dividends

	52 weeks ended 1 October 2016 £'000	52 weeks ended 3 October 2015 £'000
Dividends paid during the year at 15.8p (2015: 6.8p) per share	7,900	3,400

A final dividend of 6.8p (2015: 6.5p) per share is proposed for shareholders on the register on 24 February 2017 payable on 15 March 2017 following approval at the Annual General Meeting on 2 March 2017.

A special dividend of 8.0p (2015: 6.0p) per share is proposed for shareholders on the register on 24 February 2017 payable on 15 March 2017 following approval at the Annual General Meeting on 2 March 2017.

Notes to the Financial Statements for the 52 weeks ended 1 October 2016 (continued)

12. Property, plant and equipment

	Freehold properties	Short leasehold and leasehold improvements	Motor vehicles	Fixtures and fittings	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 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
Additions	-	913	19	2,504	3,436
Disposals	-	(1,132)	-	(1,768)	(2,900)
At 1 October 2016	**10,153**	**16,756**	**24**	**31,284**	**58,217**
Depreciation					
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
Charge for the period	56	1,284	1	1,813	3,154
Disposals	-	(999)	-	(1,592)	(2,591)
At 1 October 2016	**1,189**	**12,975**	**6**	**25,386**	**39,556**
Net book value					
At 1 October 2016	**8,964**	**3,781**	**18**	**5,898**	**18,661**
At 3 October 2015	9,020	4,285	-	5,383	18,688
At 4 October 2014	9,661	5,329	-	6,243	21,233

Notes to the Financial Statements for the 52 weeks ended 1 October 2016 (continued)

13. Inventories

	1 October 2016 £'000	3 October 2015 £'000
Goods for resale	**29,900**	28,991
Shop fitting materials and other consumables	**175**	181
	30,075	29,172

14. Trade and other receivables

	1 October 2016 £'000	3 October 2015 £'000
Trade receivables	**333**	313
Prepayments	**6,676**	7,657
Other receivables	**195**	178
	7,204	8,148

Notes to the Financial Statements for the 52 weeks ended 1 October 2016 (continued)

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:

	1 October 2016	3 October 2015
	£'000	£'000
Derivative financial assets	321	239
Derivatives not designated as hedging instruments	330	314
Derivatives designated as hedging instruments	651	553

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 1 October 2016 were $22,000,000 (3 October 2015: $22,500,000). The fair value of the forward foreign exchange contracts are within the level 2 of the fair value hierarchy and have been valued on the basis of observable market data. The key input into the valuation are market rates of financial instruments at the balance sheet date.

16. Trade and other payables

	1 October 2016	3 October 2015
	£'000	£'000
Current		
Trade payables	12,845	11,950
Social security and other taxes	1,488	1,727
Other payables	580	115
Accruals	10,435	9,857
	25,348	23,649

	1 October 2016	3 October 2015
	£'000	£'000
Non-current		
Accruals	2,316	3,037
	2,316	3,037

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17. Provisions

	Customer Returns	Dilapidations	Total
	£'000	£'000	£'000
As at 3 October 2015	48	1,117	1,165
Additions	43	605	648
Amounts utilised	(48)	(235)	(283)
Amounts released	-	(533)	(533)
As at 1 October 2016	**43**	**954**	**997**

The provisions are aged as follows:

	Customer Returns	Dilapidations	Total
	£'000	£'000	£'000
Current	43	879	922
Non-current	-	75	75
As at 1 October 2016	**43**	**954**	**997**

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 £800,000 (3 October 2015: £800,000).

19. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 18% (3 October 2015: 20%).

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

	1 October 2016	3 October 2015
	£'000	£'000
At beginning of the period	**(124)**	(516)
Recognised in income statement:		
Tax expense (note 10)	**449**	355
Recognised in other comprehensive income:		
Actuarial loss on defined benefit pension schemes	**1,113**	100
Foreign exchange contract	**3**	(63)
At end of the period	**1,441**	(124)

The deferred tax has arisen due to the following:	**1 October 2016**	3 October 2015
	£'000	£'000
Accelerated capital allowances	**954**	1,204
Ineligible buildings	**(1,803)**	(2,247)
Short term timing differences	**(60)**	(111)
Defined benefit pension scheme	**2,350**	1,030
	1,441	(124)

The Group has an unrecognised deferred tax asset £1,050,000 1 October 2016 (3 October 2015: £1,005,000).

There are estimated losses available to offset against future capital taxable profits amounting to approximately £5,250,000 (3 October 2015: £5,025,000).

20. Share capital

	1 October 2016	3 October 2015
	£'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.

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
	1 October 2016	3 October 2015	**1 October 2016**	3 October 2015
	£'000	£'000	**£'000**	£'000
Not later than one year	**20,040**	21,292	**471**	526
Later than one year and not later than five years	**42,359**	47,173	**821**	827
Later than five years	**7,071**	10,492	**-**	-
	69,470	78,957	**1,292**	1,353

22 Capital Commitments

	1 October 2016	3 October 2015
	£'000	£'000
Contracted for but not provided	**416**	422

Notes to the Financial Statements for the 52 weeks ended 1 October 2016 (continued)

23. Pension costs

Defined contribution scheme

The Group operates a defined contribution pension scheme namely Shoe Zone Worksave Pension Plan contributions amounted to £932,000 (3 October 2015: £875,000).

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 £2,000 (3 October 2015: £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.

Amounts recognised in the balance sheet at 1 October 2016

	1 October 2016	3 October 2015
	£'000	£'000
Fair value of assets	**79,704**	72,636
Present value of funded obligations	**(92,762)**	(77,786)
Deficit	**(13,058)**	(5,150)

Amounts recognised in other comprehensive income

	1 October 2016	3 October 2015
	£'000	£'000
Return on plan assets	**7,297**	715
Actuarial loss arising from changes in:		
Experience Loss	**3,969**	-
Demographic assumptions	**547**	-
Financial assumptions	**(20,003)**	(1,214)
Total actuarial loss	**(15,487)**	(1,214)
Deferred tax on employee benefit scheme	**1,474**	100
Total amount recognised in other comprehensive income	**(6,716)**	(399)

23. Pension costs (continued)

The figures below are based on a full actuarial valuation performed in April 2016 and March 2016 for the Shoe Zone and Shoefayre schemes respectively which was carried out by a qualified independent actuary. This actuarial valuation has been updated to 1 October 2016 for the purpose of calculating the pension surplus and disclosures in the current period.

Post retirement mortality

	1 October 2016	3 October 2015
	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

	1 October 2016	3 October 2015
	%	%
Deferred pension revaluation	**2.35**	2.30
Pension increases	**3.20**	3.30
Discount rate	**2.40**	3.85
Consumer Price Index	**2.35**	2.30
Retail Price Index	**3.35**	3.30

The weighted average duration of the defined benefit obligation for the Shoe Zone scheme at 1 October 2016 is 16.5 years (3 October 2015 – 16.5 years).

The weighted average duration of the defined benefit obligation for the Shoefayre scheme at 1 October 2016 is 18.5 years (3 October 2015 – 18.5 years).

23. Pension costs (continued)

Defined benefit scheme - Shoe Zone Pension Scheme

Assets

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

Asset Category

	1 October 2016	3 October 2015
Equities	**29%**	27%
Property	**9%**	10%
Gilts/bonds	**20%**	39%
Cash	**1%**	1%
Diversified Growth Funds	**33%**	-
Liability Driven Investment	**8%**	-
Target Return Funds	**-**	23%
	100%	100%

The actual return on the Scheme's assets net of expenses over the period to the review date was a gain of £6,872,000 (3 October 2015: £2,001,000).

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

	1 October 2016	3 October 2015
	£'000	£'000
Interest cost	**(1,658)**	(1,698)
Expected return on assets	**1,609**	1,666
	(49)	(32)

23. Pension costs (continued)

Defined benefit scheme - Shoe Zone Pension Scheme (continued)

Amounts recognised in the statement of financial position

	1 October 2016	3 October 2015
	£'000	£'000
Fair value of assets	**47,556**	42,899
Present value of funded obligations	**(50,387)**	(44,168)
Deficit	**(2,831)**	(1,269)

Amounts recognised in other comprehensive income

		1 October 2016		3 October 2015
		£'000		£'000
Return on plan assets		**5,263**		335
Actuarial loss arising from changes in:				
Experience losses	**3,044**		-	
Demographic assumptions	**440**		-	
Financial assumptions	**(10,260)**		(778)	
Total actuarial loss		**(6,776)**		(778)
Deferred tax on employee benefit scheme		**272**		89
Total amount recognised in other comprehensive income		**(1,241)**		(354)

23. Pension costs (continued)

Defined benefit scheme - Shoe Zone Pension Scheme (continued)

Reconciliation of assets and defined benefit obligation

The change in assets over the period was:

	1 October 2016	3 October 2015
	£'000	£'000
Fair value of assets at the beginning of the period	42,899	42,423
Expected return on assets	1,609	1,666
Benefits paid	(2,215)	(1,525)
Actuarial gain	5,263	335
Fair value of assets at the end of the period	47,556	42,899

The change in defined benefit obligation over the period was:

	1 October 2016	3 October 2015
	£'000	£'000
Defined benefit obligation at the beginning of the period	44,168	43,217
Interest cost	1,658	1,698
Benefits paid	(2,215)	(1,525)
Actuarial loss	6,776	778
Defined benefit obligation at the end of the period	50,387	44,168

Notes to the Financial Statements for the 52 weeks ended 1 October 2016 (continued)

23. Pension costs (continued)

Defined benefit scheme - Shoe Zone Pension Scheme (continued)

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	+4%
Minus 1.0 years	-4%

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.

23. Pension costs (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

	1 October 2016	3 October 2015
Equities	**17%**	13%
Property	**11%**	12%
Gilts/bonds	**30%**	47%
Cash	**1%**	1%
Diversified Growth Funds	**33%**	-
Liability Driven Investment	**8%**	-
Target Return Funds	**-**	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 £3,164,000 (3 October 2015: £1,522,000). 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

	1 October 2016	3 October 2015
	£'000	£'000
Fair value of assets	**32,148**	29,737
Present value of funded obligations	**(42,375)**	(33,618)
Net liability	**(10,227)**	(3,881)

23. Pension costs (continued)

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

Amounts recognised in other comprehensive income

	1 October 2016		3 October 2015	
		£'000		£'000
Return on plan assets		2,034		380
Actuarial loss arising from changes in:				
Experience	925		-	
Demographic assumptions	107		-	
Financial assumptions	(9,743)		(436)	
Total actuarial loss		(8,711)		(436)
Deferred tax on employee benefit scheme		1,202		11
Total amount recognised in other comprehensive income		(5,475)		(45)

Amounts recognised in the income statement over the period

	1 October 2016	3 October 2015
	£'000	£'000
Interest cost	(1,271)	(1,295)
Expected return on assets	1,130	1,142
	(141)	(153)

23. Pension costs (continued)

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

Reconciliation of assets and defined benefit obligation

The change in assets over the period was:

	1 October 2016	3 October 2015
	£'000	£'000
Fair value of assets at the beginning of the period	29,737	28,883
Expected return on assets	1,130	1,142
Employer contributions	472	300
Benefits paid	(1,225)	(968)
Actuarial gain on assets	2,034	380
Fair value of assets at the end of the period	32,148	29,737

The change in defined benefit obligation over the period was:

	1 October 2016	3 October 2015
	£'000	£'000
Defined benefit obligation at the beginning of the period	33,618	32,855
Interest cost	1,271	1,295
Benefits paid	(1,225)	(968)
Actuarial loss on obligation	8,711	436
Defined benefit obligation at the end of the period	42,375	33,618

Contributions of £595,000 are expected to be made during the year ended 30 September 2017 by Shoe Zone Retail Limited.

23. Pension costs (continued)

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

Sensitivity of the value placed on the liabilities:

Adjustments to assumptions	Approximate effect on liabilities
Discount rate	
Plus 0.50%	-9%
Minus 0.50%	+10%
Inflation	
Plus 0.50%	+4%
Minus 0.50%	-4%
Life Expectancy	
Plus 1.0 years	+3%
Minus 1.0 years	-3%

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:	**1 October 2016**	3 October 2015
	£'000	£'000
Cash at banks and in hand	**15,046**	14,221
Cash and cash equivalents	**15,046**	14,221

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 Group pension schemes:

	52 weeks ended 1 October 2016	52 weeks ended 3 October 2015
	£'000	£'000
Rent paid to Zone Executive Pension Scheme	**163**	163
Contributions to the:		
Shoe Zone Worksave Pension Plan	**930**	872
Shoe Zone Pension Scheme	**2**	3
Shoefayre Limited Pension and Life Assurance Scheme	**472**	300
	1,567	1,338

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

	52 weeks ended 1 October 2016	52 weeks ended 3 October 2015
	£'000	£'000
Short term employee benefits	**868**	860
Post-employment benefit	**19**	18
Employers national insurance	**105**	104
	992	982

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

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 1 October 2016	52 weeks ended 3 October 2015
	£'000	£'000
Numerator		
Profit for the year and earnings used in basic and diluted EPS	**8,451**	8,101

	1 October 2016	3 October 2015
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 1 October 2016

	Note	1 October 2016	3 October 2015
		£'000	£'000
Fixed assets	2	68,644	68,644
Investments		68,644	68,644
Current assets			
Debtors	3	17	14
		17	14
Creditors: amounts falling due within one year	4	(979)	(1,118)
Net current liabilities		(962)	(1,104)
Net assets		67,682	67,540
Capital and reserves			
Called up share capital	5	500	500
Merger reserve	6	586	586
Profit and loss account	6	66,596	66,454
Total shareholders' funds		67,682	67,540

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

N J Davis
Chief Executive Officer
Date: 10 January 2017

Registered Number 08961190

Company Statement of Changes in Equity for the 52 weeks ended 1 October 2016

	Share capital £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
At 4 October 2014	500	586	68,521	69,607
Profit for the period	-	-	1,333	1,333
Total comprehensive income for the period	-	-	1,333	1,333
Dividends paid during the year (note 6)	-	-	(3,400)	(3,400)
Total contributions by and distributions to owners	-	-	(3,400)	(3,400)
At 3 October 2015	500	586	66,454	67,540
Profit for the period	-	-	8,042	8,042
Total comprehensive income for the period	-	-	8,042	8,042
Dividends paid during the year (note 6)	-	-	(7,900)	(7,900)
Total contributions by and distributions to owners	-	-	(7,900)	(7,900)
At 1 October 2016	**500**	**586**	**66,596**	**67,682**

Share capital comprises nominal value of shares subscribed for.

The merger reserve has arisen as a result of the application of merger accounting to the group reorganisation of 26 March 2014.

Retained earnings are all other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

Notes to the Company Financial Statements for the 52 weeks ended 1 October 2016

1. Accounting policies

Basis of preparation

The Company's financial period is 1 October 2016. 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 £8,042,000 (3 October 2015: loss of £1,333,000)

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.

Notes to the Company Financial Statements for the 52 weeks ended 1 October 2016 (continued)

2. Fixed Asset Investments

	1 October 2016	3 October 2015
	£'000	£'000
Cost	70,586	70,586
Impairment of investment in Castle Acres Development Limited	(1,942)	(1,942)
Total	68,644	68,644

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	Non-trading 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 1 October 2016 (continued)

3. Debtors

	1 October 2016	3 October 2015
	£'000	£'000
Prepayments	17	14

4. Creditors: amounts falling due within one year

	1 October 2016	3 October 2015
	£'000	£'000
Amounts owing to group undertakings	973	1,104
Accruals	6	14
	979	1,118

5. Share capital

	1 October 2016	3 October 2015
	£'000	£'000
Allotted, called up and fully paid:		
50,000,000 ordinary shares of 1p each	500	500
	500	500

6. Reserves

	Merger reserve	Profit and loss account
	£'000	£'000
At 3 October 2015	586	66,454
Profit for the financial period	-	8,042
Dividends paid during the year	-	(7,900)
At 1 October 2016	586	66,596

7. Related party transactions

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

Directors and Advisers

Directors

I F Filby (resigned 21 Jun 2016)
A E P Smith
N J Davis
J C P Smith
J W Sharman
C J Caminada
M J Collins (appointed 21 Jun 2016)

Secretary

N J Davis (resigned 21 Jun 2016)
L S Hennell (appointed 21 Jun 2016)

Registered office

Haramead Business Centre
Humberstone Road
Leicester
LE1 2LH

Auditor

BDO LLP
Regent House
Clinton Avenue
Nottingham
NG5 1AZ

Bankers

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

Registrar

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

Solicitors

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

Corporate broker

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

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Shoe Zone plc (the 'Company') will be held at its registered office at Haramead Business Centre, Humberstone Road, Leicester, Leicestershire LE1 2LH on Thursday, 2 March 2017 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 Resolutions 14 and 15 will be proposed as special resolutions.

1. To receive and adopt the Company's annual accounts for the financial period ended 1 October 2016 and the associated reports of the Directors of the Company and the auditors of the Company.

2. To declare a final dividend of 6.8p per ordinary share for the financial period ended 1 October 2016.

3. To declare a special dividend of 8.0p per ordinary share.

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

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

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

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

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

9. To elect Malcolm Collins 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 2018.

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 2018 and the conclusion of the annual general meeting of the Company to be held in 2018. 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, provided that this authority shall expire on the earlier of 31 March 2018 and the conclusion of the annual general meeting of the Company to be held in 2018, 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 2 March 2017 ('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 £25,000.00,

and shall expire on the earlier of 31 March 2018 and the conclusion of the annual general meeting of the Company to be held in 2018, 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.

15. That, subject to the passing of resolution 13 proposed at the annual general meeting of the Company convened for 2 March 2017 ('Resolution 13') and in addition to any authority granted pursuant to resolution 14 proposed at the annual general meeting of the Company convened for 2 March 2017, 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:

a. limited to the allotment of equity securities and the sale of treasury shares for cash up to an aggregate nominal amount of £25,000.00; and

Notice of Annual General Meeting (continued)

b. used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors of the Company determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the passing of this resolution,

and shall expire on the earlier of 31 March 2018 and the conclusion of the annual general meeting of the Company to be held in 2018, 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

L S Hennell
Company Secretary
Date: 10 January 2017

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

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. If you are outside the United Kingdom, please call +44 371 664 0300. 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 CREST should be communicated to the appointee through other means.

Notes (continued)

4. Appointment of a proxy through CREST (continued)

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

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

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

5. Appointment of a proxy by joint holders

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

6. Corporate representatives

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

7. Entitlement to attend and vote

To be entitled to attend and vote at the Annual General Meeting (and for the purpose of determining the votes they may cast), members must be registered in the Company's register of members at 6.00 p.m. on 28 February 2017 (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 10 January 2017 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 10 January 2017 were 50,000,000 votes.

Shoe Zone plc

Annual Report & Accounts 2016

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