

2017

Annual Report
& Accounts

Shoezone

Lotus

Heavenly Feet

Wrangler

SKECHERS

REDTAPE

Padders

Clarks

fashion by
riker
ANTIPIRE

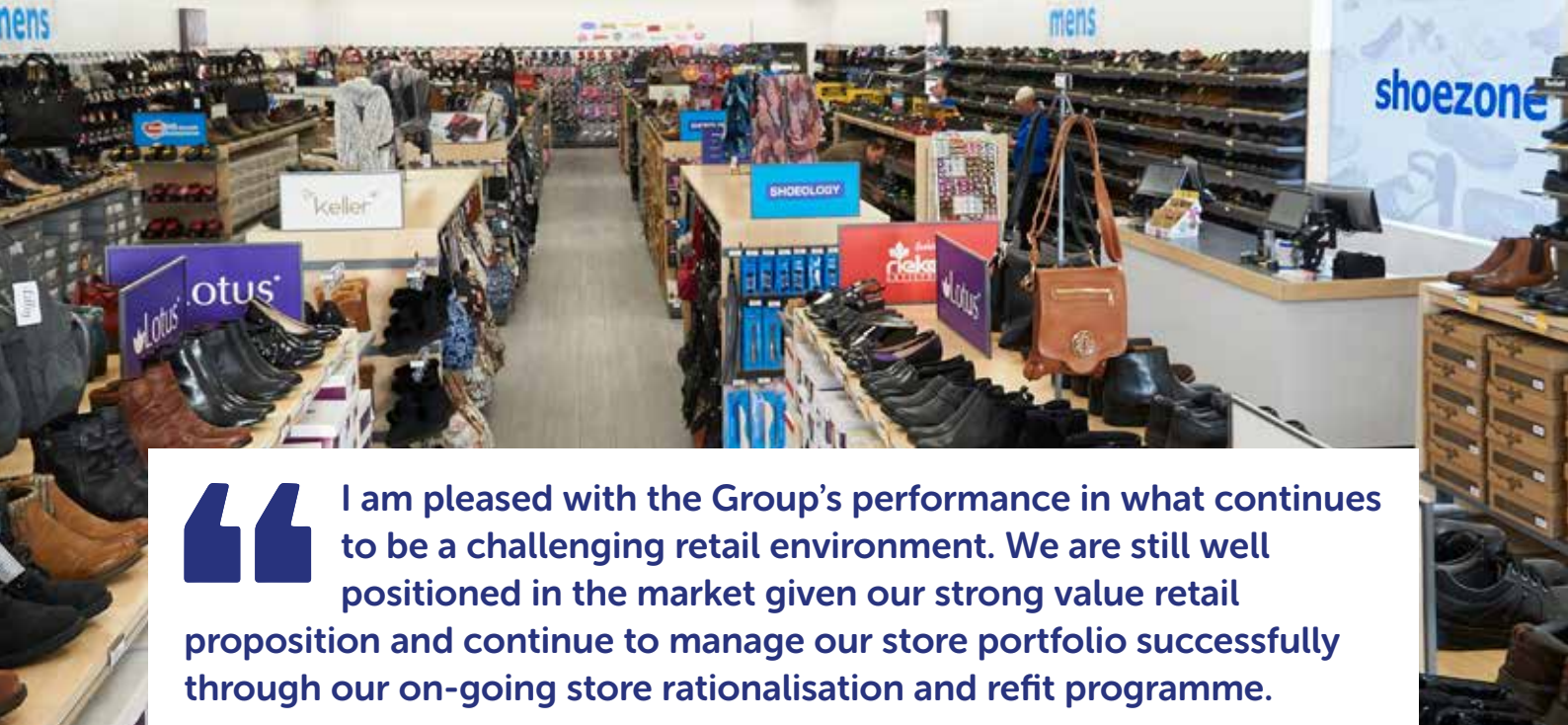
HI-TEC
INSPIRED BY LIFE

MARCO TOZZI

LUNAR

Tamaris

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 effected for transmission to the purchaser or transferee.



“ I am pleased with the Group’s performance in what continues to be a challenging retail environment. We are still well positioned in the market given our strong value retail proposition and continue to manage our store portfolio successfully through our on-going store rationalisation and refit programme.

We continue to make good progress against our strategic objectives and have made a solid start to the year with trading in line with expectations. The Board remains positive about the outlook for the Group for the remainder of the year. - Nick Davis

C.E.O.

”

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Financial Highlights

REVENUE 2016: £159.8m

£157.8m

PROFIT BEFORE TAX 2016: £10.3m

£9.5m

NET CASH 2016: £15.0m

£11.8m

EARNINGS PER SHARE 2016: 16.9p

15.8p

FINAL DIVIDEND 2016: 6.8p

6.8p

TOTAL DIVIDEND 2016: 10.1p

10.2p

PRODUCT GROSS MARGIN 2016: 62.0%

63.2%

E-COMMERCE GROWTH 2016: 16.9%

34.5%



Chief Executive's Report

2017 was a historic year for Shoe Zone as the Group celebrated its centenary as a shoe retailer. Over its 100 years in retailing, the business has evolved into the leading specialist value footwear retailer in the UK. The strength of the business model combined with the retail expertise of our colleagues has meant that despite the current challenging economic environment, Shoe Zone continues to deliver positive results.

We have continued to make good progress on our strategy of developing the Big Box concept which extends our customer base, product range and price points. Within the core estate we have maintained our focus on value, robust cost control and effective property portfolio management.

The business delivered revenue of £157.8m (2016: £159.8m) and continues to generate cash effectively from a robust balance sheet position.

Profit before tax has fallen by 7.3% from £10.3m to £9.5m, primarily due to the adverse impact of foreign exchange on imported goods into the UK, with earnings per share falling from 16.9p to 15.8p.

Dividends

The board remains committed to delivering positive dividend growth to shareholders. In recent years, the strategy has been to pay out around 60% of post-tax earnings as a normal dividend and any surplus cash above £11m as a special dividend.

For the year ended 30 September 2017, the board is proposing to pay out 65% of post-tax earnings as a normal dividend. The £0.8m surplus cash over and above the £11m that is required for the business to operate effectively will be reinvested in the business. This results in a final dividend of 6.8p per share (2016: 6.8p), giving a total dividend for the year of 10.2p (2016: 10.1p) per share.

Chief Executive's Report CONTINUED

The dividends will be paid to shareholders on the register on 23 February 2018, payable on 14 March 2018 if approved at the Annual General Meeting to be held on 1 March 2018. The shares will go ex-dividend on 22 February 2018.

Product

We remain committed to offering our customers the best possible value and have maintained flat key price points for our Core Value Lines despite facing difficult currency headwinds as a result of the weaker pound. 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 £20'). This, along with range enhancements has improved average transaction value by 3.3% during the year to £9.60. We have continued to increase our direct sourcing and as a result, footwear orders placed directly with overseas factories increased to 84.7% (2016: 72.2%) 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.

Non-footwear ranges including handbags, school bags, lunch boxes, purses and accessories continue to grow with sales from non-footwear up 14.5% on the previous year, now delivering revenue of £8m.

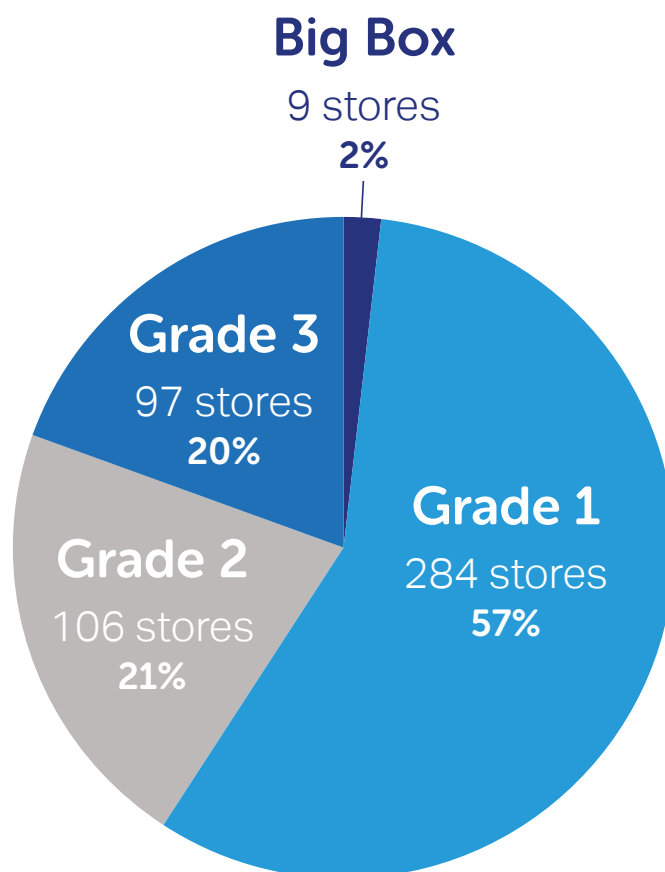
Our 'right price, first time' strategy which helps control the amount of markdown value as a percentage of turnover, continues to ensure we remain one of the industry leaders in having a low level of markdown on products. This year was no exception in achieving a level of 7.6% (2016: 7.1%), albeit being slightly higher than prior year due to the impact of the first season end of branded stock in Big Box stores.

Store Portfolio

We closed the year operating from 496 stores having opened 21 and closed 35 during the period. Within the 21 store openings, six were the continued roll out of the Big Box format and the remaining 15 were of the latest Shoe Zone brand.

The core estate continues to be invested in and refreshed. We completed 29 refits during the year, at a total capital expenditure of £5.0m and continued with the roll out of the new brand fascia having converted 20% of all stores to the new fascia and branding. This will continue in the coming year with a target of 31 refits and 10 new standard openings.

Our strategy continues to be one of driving profitability from our larger Grade 1 stores and closing smaller Grade 3 stores. The profile of stores as at 30 September was as follows:





The focus on managing rent costs has resulted in rents at the lease renewal date falling by 24.5% in the 12 month period (2016: reduction of 17%). We expect that rent reductions will continue to be achieved and has been 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 2.3 years and as a result, our lease structure gives us significant opportunity to respond to changes in shopping patterns in any retail location.

Loss making stores now make up only 6% of the store portfolio compared to 11% three years ago. We believe that the target of 5% of loss making stores within the portfolio will be achieved in the next 18 months.

Following a successful trial of the Big Box concept during the year we believe that the enhanced proposition is one that complements the existing Shoe Zone business and can be a profitable avenue of business growth over the coming years. In addition to the growth of Big Box store numbers, we have continued to refine the in-store offering.

We believe that the enhanced proposition of the Big Box concept is one that complements the existing Shoe Zone business and can be a profitable avenue of business growth over the coming years.

Chief Executive's Report CONTINUED

New brands such as Clarks have been successfully integrated and existing ranges are refined each season as we develop our understanding of customer demand and behaviours. We are targeting 10 new Big Box stores in 2018 and beyond into the medium term. In 2018 we are therefore targeting a total of 20 new openings; 10 Big Box and 10 standard stores.

E-commerce

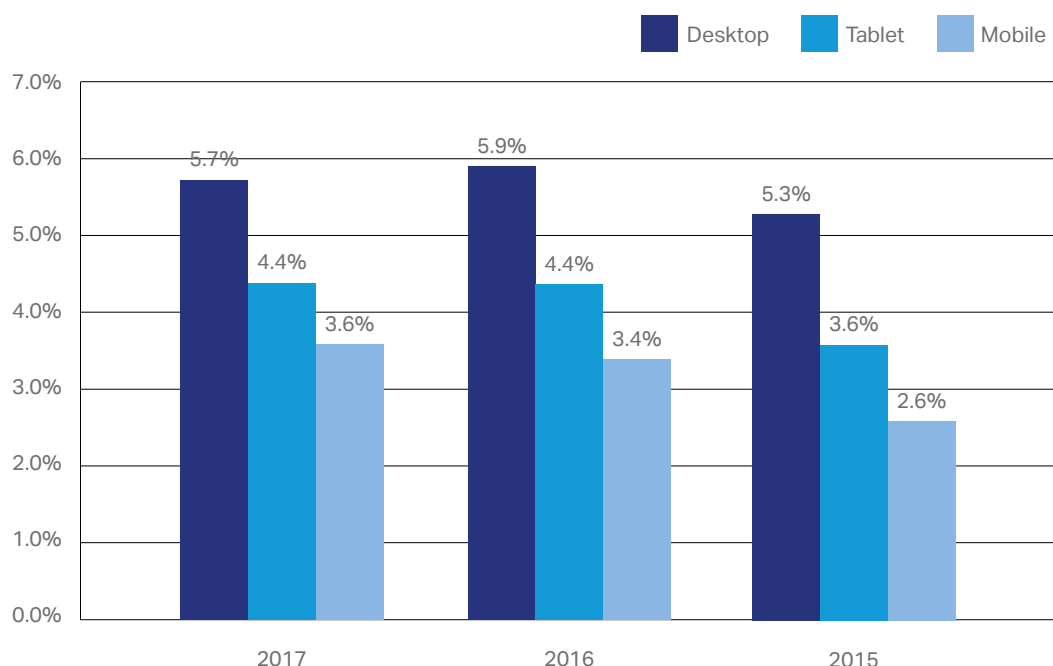
E-commerce continues to be a key area of focus and growth for the business. Revenue has increased to £8.3m, (2016: £6.2m) an annual increase of 34% in the year and now delivers over £2m contribution before Head Office apportioned costs.

This continued growth is driven from both a focus on UK sales through our own website and online market places and the continued expansion into international markets. In addition to the European market, during 2017 we launched into the USA through Amazon.com. Revenue continues to grow in all international markets, albeit this remains a relatively small proportion of total multi-channel sales.

shoezone.com has had another successful year with a significant shift to selling through mobile devices. Mobile and tablet visits now represent 78.9% (2016: 74.9%) of all website visits.

Our email database continues to be a strong source of revenue and conversion. During 2017 we concentrated on increased conversion of active users and re-engagement of those who respond less often. This dual pronged approach has led to database growth of 25% and email campaign sales increased by 37% on the prior year, now accounting for 13% of site revenue.

Overall conversion rates remained broadly static at 4.2% over the full year (2016: 4.3%). The increase in traffic resulting from the Group's Search Engine Optimisation (SEO) strategy has meant a slight dilution in conversion rate, however this will be the key multi-channel focus for 2018. The 'mobile first' design and implementation continues to deliver strong results with conversion of 3.55% (2016: 3.39%), however desktop conversion has fallen marginally. The chart below shows the conversion rates (the percentage of people visiting our website that place an order) for customers shopping using different devices:



Chief Executive's Report CONTINUED

Employees and Charity

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. During 2017 Shoe Zone plc donated over £100,000 to charitable causes. We also continue to support BBC Children in Need and the enthusiasm and commitment of our colleagues has resulted in us collectively raising over £600,000 for our chosen charity in the last five years.

Current trading and Outlook

The outlook for consumer spending remains challenging with the difficult economic conditions likely to continue. Despite this, we are well positioned given our strong value retail 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 to their current levels.

We have continued to manage the store portfolio having opened seven new stores, including three Big Box stores since the year end and refitted a further nine. There are currently five new stores with provisional opening dates and a further 22 full refits planned for the remainder of the year.

We expect the business will continue to convert cash effectively but anticipate a small increase in capital expenditure to support store openings, refits, new till systems and head office improvements.

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.

Nick Davis
Chief Executive Officer
Date: 9 January 2018





Financial Review

In the 52 weeks to 30 September 2017, Profit before Tax decreased from £10.3m to £9.5m, a reduction of 7.3%. This was primarily due to the impact of foreign exchange resulting from the weaker pound on the cost of imports from the Far East. Earnings per share decreased 7.0% to 15.8p (2016: 16.9p)

Revenues of £157.8m (2016: £159.8m) declined by 1.2% due to the continued planned closure of loss making stores, with the majority of the loss in revenue in the first half of the year.

Loss making stores now make up only 6% of the Shoe Zone portfolio, having been 11% three years ago. Overall store numbers reduced by a net 14 branches to 496 at the year-end (2016: 25 branches closed leaving a total of 510).

Multichannel growth has proved strong with revenues (excluding store orders) increasing by 34.5% (2016: 11.4%), and have now developed to 5.3% of total sales (2016: 3.9%). Contribution from multichannel increased to £2.0m in the year.

Product gross margin strengthened to 63.2% (2016: 62.0%) reflecting further increases in direct sourcing, successful negotiations with suppliers and management of write downs.

Operating expenses increased to £20.4m (2016: £17.4m). Administration expenses increased by £2.8m primarily due to the impact of foreign exchange differences, planned increases in multi-channel operational costs and store closure costs. However, these were offset by continuing efficiencies in Distribution Costs, which remained broadly flat year on year.

Financial Review CONTINUED

The effective rate of corporation tax for the year was 19.8% (2016: 21.8%).

During the year the Group opened 21 new stores and completed 29 refits, spending £5.0m (2016: £3.4m) on capital expenditure.

The pension liability has fallen by £6.0m from £13.1m to £7.1m due to an increase in the discount rate assumption from 2.40% to 2.75%. This assumption is based on the yield performance of corporate bonds.

The derivative financial liability of £2.5m represents the mark to market valuation of the derivative hedges in place at the end of the financial year. As outlined in the report, Shoe Zone only hedges against future dollar purchases of goods for resale, all hedges in place will be effective upon their delivery date.

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 in note 1 of the financial statements.

The Company generated £13.3m cash from operations, a year on year decrease of £0.6m resulting in a net cash position of £11.8m (2016: £15.0m) at the year end, underpinning a strong debt free 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 a final dividend of 6.8p (2016: 6.8p) per share, resulting in a total dividend for the year of 10.2p (2016: 10.1p) per share. The Board continues 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 23 February 2018, payable on 14 March 2018 if approved at the Annual General Meeting to be held on 1 March 2018. The shares will go ex-dividend on 22 February 2018.

Jonathan Fearn
Chief Financial Officer
Date: 9 January 2018

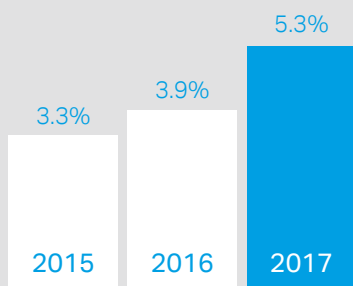
Key Performance Indicators

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.

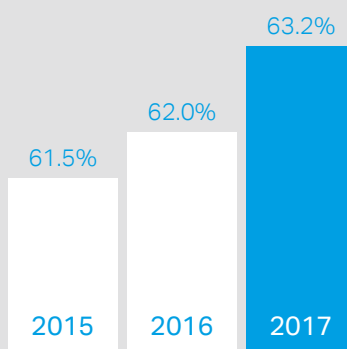
The online participation increased by 140 basis points to 5.3% (2016: 3.9%). This performance reflects the growth of the Shoezone website sales and the offering on Ebay and Amazon.



Product Gross Margin %

Product Gross Profit expressed as a percentage of revenue.

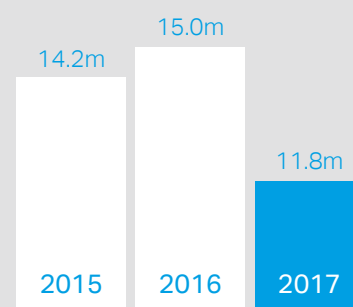
The Product Gross Margin increased by 90 basis points to 63.2% (2016: 62.0%) reflecting the continued success of increasing our direct sourcing.



Cash Balance

Cash held by the Group at the period end.

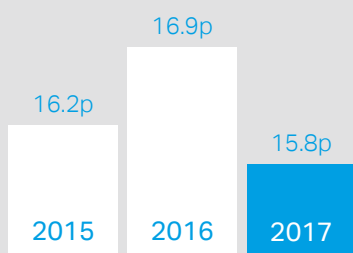
We finished the year with a healthy cash balance of £11.8m (2016: £15.0m).



Earnings per Share Growth

The percentage movement in Earnings per Share.

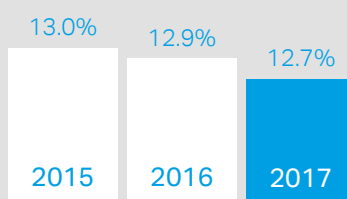
Earnings per Share reduced slightly this year. EPS for the year is 15.8p (2016:16.9p), a fall of 6.5%.



Rental % of Turnover

Store rent as a percentage of turnover.

The rental % of turnover has reduced from 12.9% to 12.7% 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, which could give them a competitive advantage over the Group.

Principal Risks and Uncertainties

CONTINUED

In addition, like many other retailers, because the Group does not have exclusive rights to many of the elements that comprise its in-store experience and product offering, competitors may seek to copy or improve on the Group's business strategy, which could significantly harm the Group's competitive position.

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

Identifying fashion and trends

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

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

Economic factors

Poor economic conditions in the UK, the Republic of Ireland and globally, as well as economic factors such as unemployment levels, consumer debt levels, lack of available credit, energy costs, inflation, interest and tax rates, may adversely affect the disposable income of the Group's customers, which could result in lower sales. In particular, in times of economic uncertainty or recession or lack of consumer confidence, there

may be a decrease in discretionary purchases generally, which could have a material adverse effect on the Group's business, results of operations and financial condition. Global economic conditions and uncertainties may also impact the Group's manufacturers and suppliers in ways that could adversely affect the Group's business.

The UK Government is currently in the process of negotiating the terms of the UK exit from the European Union. The impact of this on the business is unclear, however in the short term the uncertainty continues to have an impact on 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



Principal Risks and Uncertainties

CONTINUED

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 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.

Principal Risks and Uncertainties

CONTINUED

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 business's dependency on any third parties. Reputable third party antivirus, antispam and web filtering software is in use and its appropriateness regularly reviewed.

Reliance on key personnel

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

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

The strategic report was approved by the Board.

On behalf of the Board

Nick Davis
Chief Executive Officer
Date: 9 January 2018

Jonathan Fearn
Chief Financial Officer
Date: 9 January 2018



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 four 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 18 and 19.

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 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 20.

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.



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 in 2016 was appointed as Chief Executive Officer. He is FCA qualified and holds a BSc in Economics from Loughborough University. Outside of Shoe Zone Nick serves as a Non-Executive Director for DC Management Services Limited, a group of BMW dealerships. He is also a Board member and Trustee of three charities.



Charles Smith
Chief Operating Officer

Charles joined Shoe Zone in 1998, joining the Board in 2001. As Chief Operating Officer his main areas of responsibility are Retail and HR. He holds a Business Studies degree from Leicester De Montfort University and is a Founder and Trustee of the Shoe Zone Trust. He is also a Board member and Trustee of three other charities.



Jonathan Fearn
Chief Financial Officer

Jonathan joined Shoe Zone as Chief Financial Officer in 2016 and has subsequently gained responsibility for the Distribution Centre and Transport Operations. Jonathan has extensive experience within Strategic and Retail Finance, primarily within Celesio UK, including a period as Head of Region for Lloydspharmacy Retail and prior to that with PowerGen UK. Jonathan holds a BSc (Hons) in Managerial and Administrative Studies from Aston University and is CGMA qualified.



Jeremy 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 Preparatory Schools.



Charlie has over 21 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 has served as a Specialist Advisor & Member of the Development Board to the Centre of Social Justice and a Specialist Advisor to the UK Trade & Investment (UKTI).



Malcolm 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 Women's Footwear Buyer.

Remuneration Report

This is the Company's fourth 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, Charles Smith and Jonathan Fearn may attend the Committee meetings by invitation.

Duties

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

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

Remuneration Report CONTINUED

Directors and Directors' interests

The Directors listed below all served throughout the year. 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	22,700 ⁽²⁾	0.05%
Charles Smith	11,109,408 ⁽³⁾	22.22%
Jonathan Fearn	Nil	-
Non-Executive Directors		
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 jointly owned by Anthony Smith and his wife.

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

(3) The registered holder of these shares is Sheepy Magna Limited, an entity jointly owned by Charles Smith and his wife.

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	FY17	250,000	-	37,600	-	287,600
	FY16	250,000	-	36,338	-	286,338
Nick Davis	FY17	191,580	105,000	18,294	17,000	331,874
	FY16	162,657	72,000	10,304	19,000	263,961
Charles Smith	FY17	170,000	-	20,503	-	190,503
	FY16	200,000	-	29,158	-	229,158
Jonathan Fearn*	FY17	56,183	14,794	5,258	6,742	82,977
	FY16	-	-	-	-	-
Non-Executive Directors						
Ian Filby	FY17	-	-	-	-	-
	FY16	41,666	-	-	-	41,666
Jeremy Sharman	FY17	30,000	-	-	-	30,000
	FY16	30,000	-	-	-	30,000
Charlie Caminada	FY17	30,000	-	-	-	30,000
	FY16	30,000	-	-	-	30,000
Malcolm Collins	FY17	20,000	-	-	-	20,000
	FY16	5,493	-	-	-	5,493
Total	FY17	747,763	119,794	81,655	23,742	972,954
	FY16	719,816	72,000	75,800	19,000	886,616

* Appointed 7 March 2017.

Remuneration Report

CONTINUED

Long Term Incentive Plans

During the year 2017 the board awarded Nick Davis a Long Term Incentive which rewards performance for achievement of Profit before Tax against an agreed target. The incentive is structured on a sliding scale such that achievement of target will reward at 50% of salary up to a maximum reward of 100% of salary. The shares will vest over three years following the completion of the year end audit and publishing of the annual accounts.

In order to facilitate the implementation of the LTIP scheme, a special resolution will be passed at the Annual General Meeting, on 1 March 2018, to allow the purchase of shares with Treasury. Therefore, the first year of the LTIP reward, £23,413, will be paid in cash and subsequent awards of 14,493 shares will be made in 2019 and 2020.



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 2017. Salaries for the current year are set out below:

	£
Anthony Smith	250,000
Nick Davis	206,000
Charles Smith*	120,000
Jonathan Fearn	101,500

* Charles Smith is now contracted for 3 days a week.

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 and 6 months for Jonathan Fearn. Other fixed elements of the Executive Directors' remuneration comprise a company car provision, life assurance and private medical insurance. Nick Davis and Jonathan Fearn are entitled to a Pension Contribution of 12% of basic salary.

For the 2018 year, the committee intends to award the same LTIP benefit to Nick Davis, based on performance against agreed PBT targets.

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 three months' 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

Charlie Caminada
Chairman of the Remuneration Committee
Date: 9 January 2018

Governance

Directors' Report

for the 52 weeks ended 30 September 2017

The Directors present their Annual Report and audited financial statements of the Company and the Group for the 52 weeks ended 30 September 2017.

The disclosure requirements of the Companies Act 2006 have been met by the contents of this Directors' Report, apart from the likely future developments in the business and existence of branches which are included within the Strategic Report which should therefore be read in conjunction with one another.

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 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 30 September 2017 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 2 March 2017, 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 2018 AGM, shareholders will be asked to renew this authority for a further year.

Directors

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

Anthony Smith
Nick Davis
Charles Smith
Jonathan Fearn (Appointed 7 March 2017)
Jeremy Sharman
Charlie Caminada
Malcolm Collins

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.

Directors' Report

for the 52 weeks ended 30 September 2017

CONTINUED

Employees

The Group employed 3,507 (1 October 2016: 3,561) 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 fourth AGM will be held on Thursday, 1 March 2018 at 9:30am at the Company's registered office at Hamead Business Centre, Humberstone Road, Leicester, Leicestershire LE1 2LH. The Notice of AGM appears on pages 85 to 91.

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

Final dividend (resolution 2)

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.

Re-election of Directors (resolutions 3 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 continued 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 18 and 19. 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.

Directors' Report

for the 52 weeks ended 30 September 2017

CONTINUED

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 (resolution 13)

By law, the Directors are not permitted to allot new shares (or to grant rights over shares) unless authorised to do so by shareholders. Resolution 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 2018. 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 2018).

Disapplication of pre-emption rights (resolutions 14 and 15)

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-preemptive basis up to an aggregate nominal amount of £25,000 (being 2,500,000 shares). This is equivalent to 5% of the issued share capital of the Company on 10 January 2018. 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 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 9 January 2018) 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-preemptive 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 2019 or 31 March 2019, whichever is earlier.

Directors' Report

for the 52 weeks ended 30 September 2017

CONTINUED

Authorisation for the Company to purchase its own shares (resolution 16)

Resolution 16 seeks authority for the Company to make market purchases (within the meaning of section 693(4) of the Companies Act 2006) of the Company's ordinary shares on such terms and in such manner as the Directors may determine from time to time, subject to the limitations set out in the resolution. If Resolution 16 is passed, the Company will be authorised to purchase up to a maximum of 5,000,000 ordinary shares, representing 10% of the Company's issued ordinary share capital as at 10 January 2018. Resolution 16 also sets out the minimum and maximum price that the Company may pay for purchases of its ordinary shares.

If Resolution 16 is passed, the authority for the Company to purchase its ordinary shares will remain effective until the conclusion of the next AGM of the Company to be held in 2019 or 31 March 2019, whichever is earlier.

The Directors will only exercise this buy-back authority, after careful consideration, when it is in the best interests of the shareholders generally. Any purchases would be financed out of distributable profits and shares purchased would either be cancelled (and the number of shares in issue reduced accordingly) or held as treasury shares and may be used for future distributions under the Company's existing employee incentive plans.

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 27 February 2018.

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 31 to 35.

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

Directors' Report

for the 52 weeks ended 30 September 2017

CONTINUED

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 2018. 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.

Events after the year-end

Between 30 September 2017 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.

Directors' Report

for the 52 weeks ended 30 September 2017

CONTINUED

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 ongoing 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 they are aware, there is no relevant audit information of which the Company's auditor are unaware; and
- They have 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:

Nick Davis
Chief Executive Officer
Date: 9 January 2018

Independent Auditor's Report to the members of Shoe Zone plc

Opinion

We have audited the financial statements of Shoe Zone plc (the 'parent company') and its subsidiaries (the 'group') for the 52 weeks ended 30 September 2017 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 company statement of financial position, the company statement of changes in equity and the related notes to the financial statements, including a summary of significant accounting policies.

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 the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 September 2017 and of the Group's profit for the 52 weeks then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent Auditor's Report to the members of Shoe Zone plc

CONTINUED

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest

effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Area of focus

How our audit approach addressed the area of focus

Impairment of Fixed Assets

As set out in the accounting policies in note 1 to the financial statements the carrying value of fixed assets is reviewed by management for impairment.

We have challenged management on the inputs and growth assumptions in their impairment assessment calculation. We compared them to historical results and forecasts prepared for the assessment of going concern for consistency and reasonableness of application.

Management considers each store to be a cash-generating unit ("CGU") and has performed a discounted cash flow assessment at CGU level to ensure that the carrying value of the stores assets are supported by its expected future cash flows.

We tested the allocation of central overheads to each CGU for consistency with the prior year and reasonableness of application.

We focused on this area because of the significant carrying value of store assets and the judgement used by management in their impairment assessment including assumptions over future growth rates, the allocation of central overheads and discount rate.

We reviewed the discount rate by assessing the cost of capital for the Group and comparable organisations, taking into account risk premium as an appropriate measure of the discount rate applied.

Independent Auditor's Report to the members of Shoe Zone plc

CONTINUED

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of

the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Group materiality	Basis of materiality	Rationale for benchmark applied
£475,000	5% of Group profit before tax	We consider profit before income tax to be the most significant determinant of the Group's financial performance used by shareholders.

We report to the Audit and Risk Committee any corrected and uncorrected identified misstatements exceeding £14,000 in addition to other identified misstatements that warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our Group audit scope focused on the Group's principal trading subsidiary, Shoe Zone Retail Limited which was subject to a full scope audit. Together with the parent company and its group consolidation, which was also subject to a full scope audit, these entities represent the principal business units of the Group and account for 100% of the Group's revenue, 100% of the Group's profit before tax and 100% of the Group's total assets.

Whilst materiality for the financial statements as a whole was £475,000, each component of the Group

was audited to a lower level of materiality. Audits of the components were performed at a materiality level calculated by reference to a proportion of group materiality appropriate to the relative scale of the business concerned.

The remaining components of the Group were considered non-significant and these components were principally subject to analytical review procedures.

Independent Auditor's Report to the members of Shoe Zone plc

CONTINUED

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 29, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the members of Shoe Zone plc

CONTINUED

Auditor's responsibilities for the audit of the financial statements

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.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Richard Wilson (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Nottingham
Date: 9 January 2018

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

Consolidated Income Statement

for the 52 weeks ended 30 September 2017

	Note	52 weeks ended 30 September 2017 £'000	52 weeks ended 1 October 2016 £'000
Revenue	1, 4, 8	157,777	159,834
Cost of sales	5	(127,657)	(132,022)
Gross profit		30,120	27,812
Administration expenses	5	(14,454)	(11,657)
Distribution costs	5	(5,872)	(5,769)
Profit from operations		9,794	10,386
Finance income	9	15	56
Finance expense	9	(306)	(190)
Profit before taxation		9,503	10,252
Taxation	10	(1,620)	(1,801)
Profit attributable to equity holders of the parent		7,883	8,451
Earnings per share – basic and diluted	26	15.77p	16.90p

Consolidated Statement of Total Comprehensive Income **for the 52 weeks ended 30 September 2017**

	Note	52 weeks ended 30 September 2017 £'000	52 weeks ended 1 October 2016 £'000
Profit for the period		7,883	8,451
Items that will not be reclassified subsequently to the income statement			
Remeasurement gains / losses on defined benefit pension scheme	23	5,608	(8,190)
Movement in deferred tax on pension schemes	23	(1,217)	1,474
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		(934)	1,683
Cash flow hedges recognised in inventories		(1,233)	(1,667)
Tax on cash flow hedges		377	(3)
Effect of change in deferred tax rate on opening liability		-	6
Other comprehensive expense for the period		2,601	(7,059)
Total comprehensive income for the period attributable to equity holders of the parent		10,484	1,392

Consolidated Statement of Financial Position

as at 30 September 2017

	Note	52 weeks ended 30 September 2017	52 weeks ended 1 October 2016
		£'000	£'000
Assets			
Non-current assets			
Property, plant and equipment	12	20,783	18,661
Deferred tax asset	19	861	1,441
Total non-current assets		21,644	20,102
Current assets			
Inventories	13	28,017	30,075
Trade and other receivables	14	6,108	7,204
Derivative financial assets	15	-	651
Cash and cash equivalents	24	11,786	15,046
Total current assets		45,911	52,976
Total assets		67,555	73,078
Current liabilities			
Trade and other payables	16	(23,576)	(25,348)
Provisions	17	(829)	(922)
Derivative financial assets	15	(2,546)	-
Corporation tax liability		(474)	(1,583)
Total current liabilities		(27,425)	(27,853)
Non-current liabilities			
Trade and other payables	16	(1,742)	(2,316)
Provisions	17	(120)	(75)
Employee benefit liability	23	(7,108)	(13,058)
Total non-current liabilities		(8,970)	(15,449)
Total liabilities		(36,395)	(43,302)
Net assets		31,160	29,776
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		(1,520)	270
Retained earnings		29,518	26,344
Total equity and reserves		31,160	29,776

The financial statements were approved and authorised for issue by the Board of Directors and were signed on its behalf by:

Jonathan Fearn
Chief Financial Officer
Date: 9 January 2018

Consolidated Statement of Changes in Equity

for the 52 weeks ended 30 September 2017

	Share capital	Merger reserve	Cash flow hedge reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
At 3 October 2015	500	2,662	251	32,871	36,284
Profit for the period	-	-	-	8,451	8,451
Other comprehensive expense	-	-	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
Profit for the period	-	-	-	7,883	7,883
Defined benefit pension movements	-	-	-	5,608	5,608
Cash flow hedge movements	-	-	(2,167)	-	(2,167)
Deferred tax on other comprehensive income	-	-	377	(1,217)	(840)
Total comprehensive income for the period	-	-	(1,790)	12,274	10,484
Dividends paid during the year (note 11)	-	-	-	(9,100)	(9,100)
Total contributions by and distributions to owners	-	-	-	(9,100)	(9,100)
At 30 September 2017	500	2,662	(1,520)	29,518	31,160

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 30 September 2017

	Note	52 weeks ended 30 September 2017	52 weeks ended 1 October 2016
		£'000	£'000
Operating activities			
Profit after taxation		7,883	8,451
Corporation tax		1,620	1,801
Finance income		(15)	(56)
Finance expense		306	190
Depreciation of property, plant and equipment		2,962	3,153
Loss on disposal of property, plant and equipment		188	309
Pension contributions paid		(649)	(472)
		12,295	13,376
Decrease in trade and other receivables		1,084	861
Decrease in foreign exchange contract		321	239
(Increase)/Decrease in inventories		2,767	(1,224)
(Decrease)/Increase in trade and other payables		(2,467)	821
Decrease in provisions		(48)	(168)
		1,657	529
Cash generated from operations		13,952	13,905
Income taxes paid		(2,990)	(2,041)
Net cash flows from operating activities		10,962	11,864
Investing activities			
Purchase of property, plant and equipment		(5,137)	(3,195)
Interest received		15	56
Net cash used in investing activities		(5,122)	(3,139)
Financing activities			
Dividends paid during the year	11	(9,100)	(7,900)
Net cash used in financing activities		(9,100)	(7,900)
Net (decrease)/increase in cash and cash equivalents		(3,260)	825
Cash and cash equivalents at beginning of period		15,046	14,221
Cash and cash equivalents at end of period	24	11,786	15,046

Notes to the Financial Statements

for the 52 weeks ended 30 September 2017

1. Accounting policies

General information

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

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

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied for the 52 weeks ended 30 September 2017.

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

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

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies. The areas where significant

judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 2.

The consolidated financial statements are presented in Sterling, which is also the Group's functional currency.

Amounts are rounded to the nearest thousand, unless otherwise stated.

Basis of consolidation

The consolidated financial statements incorporating the financial statements of Shoe Zone plc and its subsidiary undertakings are all made up to 30 September 2017. 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.

Notes to the Financial Statements

for the 52 weeks ended 30 September 2017

CONTINUED

1. Accounting policies **CONTINUED**

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.

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.

Standards, amendments and interpretations which are not effective or early adopted by the Group

Standards or amendments that are applicable but that are not effective and have not been early adopted are as follows:

IFRS 16 'Leases'. This amendment is effective for the 53 week financial period ending 3 October 2020 and will require a significant change in the accounting and reporting of leases for the Group. The standard will require lessees to recognise assets and liabilities for all leases, with the exception of low value leases or where the lease term is 12 months or less. The impact on the Group is currently being assessed and it is not yet practicable to quantify the effect of the standard on these consolidated financial statements.

IFRS 9 'Financial Instruments' replaces IAS 39 'Financial Instruments: Recognition and Measurement' and is effective for the 52 week financial period ending 28 September 2019. The main change for the Group is a simplification of hedge accounting rules. As a result, the impact of the change on the Group is minimal, and will result in no changes in disclosure.

IFRS 15 'Revenue from Contracts with Customers'. This is effective for the 52 week financial period ending 28 September 2019, and requires revenue generated from contracts with customers to more accurately reflect the economic reality. This standard will not have any impact on the Group's revenues, as all of the Group's revenue relates to the sale of products made directly to customers either in store or online, no contracts are in place for any revenue generated.

The group has not early adopted any IFRSs or IFRS interpretations.

There have been no changes to standards during the year that affect the Group.

Notes to the Financial Statements

for the 52 weeks ended 30 September 2017

CONTINUED

1. Accounting policies **CONTINUED**

Revenue

Revenue is measured at the fair value of consideration received or receivable net of discounts, returns and VAT. Revenue 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.

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.

Notes to the Financial Statements

for the 52 weeks ended 30 September 2017

CONTINUED

1. Accounting policies CONTINUED

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.

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

Cash and cash equivalents includes cash in hand and deposits held at call with banks.

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:

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

Notes to the Financial Statements

for the 52 weeks ended 30 September 2017

CONTINUED

1. Accounting policies **CONTINUED**

Derivative financial instruments and hedging activities

Hedge accounting is applied to financial assets and financial liabilities only where all of the following criteria are met:

At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge.

- For cash flow hedges, the hedged item in a forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.
- The cumulative change in the fair value of the hedging instrument is expected to be between 80-125% of the cumulative change in the fair value or cash flows of the hedged item attributable to the risk hedged (i.e. it is expected to be highly effective).
- The effectiveness of the hedge can be reliably measured.
- The hedge remains highly effective on each date tested. Effectiveness is tested quarterly.

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

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash

flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in cost of sales in the income statement.

Amounts accumulated in equity are reclassified to 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.

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.

Notes to the Financial Statements

for the 52 weeks ended 30 September 2017

CONTINUED

1. Accounting policies **CONTINUED**

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 monthly rate prevailing during the period. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date.

Foreign exchange differences are recognised in the profit and loss account.

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.

Notes to the Financial Statements

for the 52 weeks ended 30 September 2017

CONTINUED

1. Accounting policies **CONTINUED**

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

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders at the AGM.

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.

Accounting estimates and assumptions

Foreign currency hedge accounting

Group policy is to adopt hedge accounting for cash flows for the purchase of goods for resale. Due to the degree of judgement in determining forecast cash

flows there is a risk that the assumptions made in the effectiveness testing are inappropriate.

Retirement benefits

The Groups defined benefit schemes' pension surplus/obligation, which is assessed each period by actuaries, is based on key assumptions including discount rates, mortality rates, inflation, future salary costs and pension costs. These assumptions, individually or collectively, may be different to actual outcomes; refer to note 23 for further details.

Estimated impairment of store assets

The Group tests whether store assets have suffered any impairment in accordance with the accounting policies stated in note 1. The recoverable amount of cash-generating units is determined on a value-in-use calculation. The method requires an estimate of future cash flows and the selection of a suitable discount rate in order to calculate the net present value of cash flows. The Group has performed a sensitivity analysis on the impairment tests for its store portfolio using various reasonably possible scenarios. An increase of three percentage points in the post-tax discount rate would have resulted in an increase to the impairment charge of £33,000. A decrease of one percentage point in the growth rate after year three would have resulted in an increase to the impairment charge of £41,000.

Estimated useful life of property, plant and equipment

At the date of capitalising property, plant and equipment, the Group estimates the useful life of the asset based on management's judgement and experience. Due to the significance of capital investment to the Group, variances between actual and estimated useful economic lives could impact results both positively and negatively.

Notes to the Financial Statements

for the 52 weeks ended 30 September 2017

CONTINUED

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

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.

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.

Notes to the Financial Statements

for the 52 weeks ended 30 September 2017

CONTINUED

3. Financial instruments – risk management

CONTINUED

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

	52 weeks ended 30 September 2017	52 weeks ended 1 October 2016
	£'000	£'000
Financial assets at amortised cost		
Trade receivables	327	333
Other receivables	170	195
Cash and cash equivalents	11,786	15,046
Total receivables	12,283	15,574
Financial assets at fair value through profit or loss	-	321
Financial assets at fair value through other comprehensive income	-	330
Total financial assets	-	651

	52 weeks ended 30 September 2017	52 weeks ended 1 October 2016
	£'000	£'000
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	21,234	22,816
Financial liabilities at fair value through other comprehensive income		
Financial liabilities at fair value through profit and loss	709	-
Financial liabilities at fair value through other comprehensive income	1,837	-
Total financial liabilities	23,780	22,816

Notes to the Financial Statements

for the 52 weeks ended 30 September 2017

CONTINUED

3. Financial instruments – risk management

CONTINUED

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 30 September 2017 and 1 October 2016.

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.

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 30 September 2017 the Group has trade receivables of £327,000 (1 October 2016: £333,000).

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 30 September 2017 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.

Notes to the Financial Statements

for the 52 weeks ended 30 September 2017

CONTINUED

3. Financial instruments – risk management

CONTINUED

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

	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 30 September 2017	£'000	£'000	£'000	£'000	£'000
Trade and other payables	21,234	-	-	-	-
Derivative financial liability	824	1486	236	-	-
Total financial liabilities	22,058	1486	236	-	-

	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	-	-	-	-

Foreign exchange risk

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

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

Notes to the Financial Statements

for the 52 weeks ended 30 September 2017

CONTINUED

3. Financial instruments – risk management

CONTINUED

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	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Sterling strengthens by 10%	682	660	4,868	1,539
Sterling weakens by 10%	(834)	(806)	(5,949)	(1,880)

Year end exchange rates applied in the above analysis are US Dollar 1.34 (2016: 1.29). 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.

Notes to the Financial Statements

for the 52 weeks ended 30 September 2017

CONTINUED

3. Financial instruments – risk management

CONTINUED

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.

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.

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 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.

The Group's capital is made up of share capital, merger reserve and retained earnings totalling £32,876,000 (1 October 2016: £29,776,000).

4. Revenue

	52 weeks ended 30 September 2017	52 weeks ended 1 October 2016
	£'000	£'000
Revenue arises from:		
Sales of goods	157,777	159,834

Notes to the Financial Statements

for the 52 weeks ended 30 September 2017

CONTINUED

5. Expenses by nature

	52 weeks ended 30 September 2017	52 weeks ended 1 October 2016
	£'000	£'000
Inventories recognised as an expense	51,524	54,756
Carriage charges on purchases	2,094	1,726
Duty charges on purchases	5,205	4,762
Employee benefit expenses	36,912	36,206
Depreciation of property, plant and equipment	2,971	3,153
Operating lease expense		
- Other	621	631
- Land and buildings	21,045	21,722
Loss on disposal of property, plant and equipment	286	309
Branch running costs	16,825	17,337
Transportation expenses	1,245	1,251
Advertising expenses	1,133	1,015
Financial instruments movement	-	239
Loss on Foreign Exchange	1,667	460
Other costs	6,455	5,881
	147,983	149,448

6. Auditor's remuneration

	52 weeks ended 30 September 2017	52 weeks ended 1 October 2016
	£'000	£'000
The audit of the parent company	19	19
Other services	39	39
	58	58

Notes to the Financial Statements

for the 52 weeks ended 30 September 2017

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7. Employee benefit expenses

52 weeks ended
30 September 2017

52 weeks ended
1 October 2016

£'000

£'000

Employee benefit expenses (including Directors) comprise:

Wages and salaries	34,616	33,670
Social security costs	1,799	1,740
Other pension costs	926	875
	37,341	36,285

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

52 weeks ended
30 September 2017

52 weeks ended
1 October 2016

No.

No.

Sales and distribution	3,361	3,495
Directors	7	6
Administration	153	155
	3,521	3,656

The average monthly number of full time equivalent employees during the period was 1,751 (2016: 1,794).

Shoe Zone plc does not employ any members of staff and has no staff costs during the period (2016: Nil).

52 weeks ended
30 September 2017

52 weeks ended
1 October 2016

£'000

£'000

Directors' remuneration, included in staff costs:

Salaries and benefits	949	868
Pension contributions	24	19
	973	887

Information regarding the highest paid Director is as follows:

Salary and benefits	315	286
Pension contribution	17	-
	332	286

Notes to the Financial Statements

for the 52 weeks ended 30 September 2017

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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, Chief Financial 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 30 September 2017	52 weeks ended 1 October 2016
	£'000	£'000
External revenue by location of customers:		
United Kingdom	152,562	154,463
Republic of Ireland	4,991	5,371
Other	224	-
	157,777	159,834

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

	52 weeks ended 30 September 2017	52 weeks ended 1 October 2016
	£'000	£'000
Non-current assets by location:		
United Kingdom	20,499	18,661
Other	284	-
	20,783	18,661

Notes to the Financial Statements

for the 52 weeks ended 30 September 2017

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9. Finance income and expenses

52 weeks ended 30 September 2017 52 weeks ended 1 October 2016

	£'000	£'000
Finance income		
Interest receivable	15	56
Total finance income	15	56
Finance expense		
Other interest payable	-	-
Net interest expense on defined benefit pension scheme	(306)	(190)
Total finance expense	(306)	(190)

Notes to the Financial Statements

for the 52 weeks ended 30 September 2017

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10. Income Tax

	52 weeks ended 30 September 2017	52 weeks ended 1 October 2016
	£'000	£'000
Current tax expense		
Current tax on profits for the period	1,949	2,238
Adjustment for (over)/under provision in prior periods	(69)	12
Total current tax expense	1,880	2,250
Deferred tax expense		
Origination and reversal of temporary differences (note 19)	(260)	(449)
Tax charge on profit on ordinary activities	1,620	1,801

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 30 September 2017	52 weeks ended 1 October 2016
	£'000	£'000.
Profit for the period	7,883	8,451
Income tax expense	1,620	1,801
Profit before income taxes	9,503	10,252
Expected tax charge based on corporation tax rate of 19.5% (1 October 2016: 20%)	1,853	2,050
Expenses not deductible for tax purposes	269	29
Effective change of rate	(188)	(359)
Adjustments to tax charge in respect of previous period	(314)	81
Total tax expense	1,620	1,801

Factors that may affect future tax charges:

The standard rate of Corporation Tax in the UK reduced from 20% to 19% with effect from 1 April 2017. Accordingly the Company's profits for this accounting period are taxed at an effective rate of 19.5%. The standard rate will fall further to 17% with effect from 1 April 2020. These rates were enacted during the current year and deferred tax balances have been stated at a rate at which they are expected to reverse.

Notes to the Financial Statements

for the 52 weeks ended 30 September 2017

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11. Dividends

52 weeks ended
30 September 2017

52 weeks ended
1 October 2016

£'000

£'000

Dividends paid during the year: final 14.8p, interim 3.4p
(2016: final 12.5p interim 3.3p) per share

9,100

7,900

A final dividend of 6.8p (2016: 6.8p) per share is proposed for shareholders on the register on 23 February 2018 payable on 14 March 2018 following approval at the Annual General Meeting on 1 March 2018.

Notes to the Financial Statements

for the 52 weeks ended 30 September 2017

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12. Property, plant and equipment

	Freehold properties	Short leasehold and leasehold improvements	Motor vehicles	Fixtures and fittings	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
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
Additions	-	1,856	10	3,281	125	5,272
Disposals	-	(882)	-	(2,021)	-	(2,903)
At 30 September 2017	10,153	17,730	34	32,544	125	60,586
Depreciation						
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
Charge for the period	56	1,130	6	1,770	-	2,962
Disposals	-	(840)	-	(1,875)	-	(2,715)
At 30 September 2017	1,245	13,265	12	25,281	-	39,803
Net book value						
At 30 September 2017	8,908	4,465	22	7,263	125	20,783
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

Notes to the Financial Statements

for the 52 weeks ended 30 September 2017

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13. Inventories

30 September 2017 1 October 2016

	£'000	£'000
Goods for resale	27,802	29,900
Shop fitting materials and other consumables	215	175
	28,017	30,075

14. Trade and other receivables

30 September 2017 1 October 2016

	£'000	£'000
Trade receivables	327	333
Prepayments	5,611	6,676
Other receivables	170	195
	6,108	7,204

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:

30 September 2017 1 October 2016

	£'000	£'000
Derivative financial assets / liabilities		
Derivatives not designated as hedging instruments	(709)	321
Derivatives designated as hedging instruments	(1,837)	330
	(2,546)	651

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

The notional principal amounts of outstanding forward foreign exchange contracts at 30 September 2017 were \$71,750,000 (1 October 2016: \$22,000,000). The fair value of the forward foreign exchange contracts are within the level 2 of the fair value hierarchy and have been valued on the basis of observable market data. The key input into the valuation are market rates of financial instruments at the balance sheet date.

Notes to the Financial Statements

for the 52 weeks ended 30 September 2017

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16. Trade and other payables

30 September 2017 1 October 2016

	£'000	£'000
Current		
Trade payables	11,694	12,845
Social security and other taxes	1,635	1,488
Other payables	326	580
Accruals	9,921	10,435
	23,576	25,348

30 September 2017 1 October 2016

	£'000	£'000
Non-current		
Accruals	1,742	2,316
	1,742	2,316

Notes to the Financial Statements

for the 52 weeks ended 30 September 2017

CONTINUED

17. Provisions

	Customer Returns	Dilapidations	Total
	£'000	£'000	£'000
As at 1 October 2016	43	954	997
Additions	40	376	416
Amounts utilised	(43)	(238)	(281)
Amounts released	-	(183)	(183)
As at 30 September 2017	40	909	949

The provisions are aged as follows:

	Customer Returns	Dilapidations	Total
	£'000	£'000	£'000
Current	40	789	829
Non-current	-	120	120
As at 30 September 2017	40	909	949

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 (1 October 2016: £800,000).

Notes to the Financial Statements

for the 52 weeks ended 30 September 2017

CONTINUED

19. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17% (1 October 2016: 18%).

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

	30 September 2017	1 October 2016
	£'000	£'000
At beginning of the period	1,441	(124)
Recognised in income statement:		
Tax expense (note 10)	260	449
Recognised in other comprehensive income:		
Actuarial (gain) / loss on defined benefit pension schemes	(1,217)	1,113
Cashflow hedge	377	3
At end of the period	861	1,441

The deferred tax has arisen due to the following:

	30 September 2017	1 October 2016
	£'000	£'000
Accelerated capital allowances	991	954
Ineligible buildings	(1,656)	(1,803)
Short term timing differences	317	(60)
Defined benefit pension scheme	1,209	2,350
	861	1,441

The Group has an unrecognised deferred tax asset £893,000 as at 30 September 2017 (1 October 2016: £1,050,000).

There are estimated losses available to offset against future capital taxable profits amounting to approximately £5,250,000 (1 October 2016: £5,250,000).

Notes to the Financial Statements

for the 52 weeks ended 30 September 2017

CONTINUED

20. Share Capital

30 September 2017 1 October 2016

	£'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
	30 September 2017	1 October 2016	30 September 2017	1 October 2016
	£'000	£'000	£'000	£'000
Not later than one year	18,652	20,040	554	471
Later than one year and not later than five years	35,191	42,359	872	821
Later than five years	5,486	7,071	-	-
	59,329	69,470	1,426	1,292

22. Capital Commitments

30 September 2017 1 October 2016

	£'000	£'000
Contracted for but not provided	238	416

Notes to the Financial Statements

for the 52 weeks ended 30 September 2017

CONTINUED

23. Pension costs

Defined contribution scheme

The Group operates a defined contribution pension scheme namely Shoe Zone Worksave Pension Plan contributions amounted to £926,000 (1 October 2016: £932,000).

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 (1 October 2016: £2,000).

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

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 30 September 2017

	30 September 2017	1 October 2016
	£'000	£'000
Fair value of assets	78,065	79,704
Present value of funded obligations	(83,573)	(92,762)
Impact of asset ceiling	(1,600)	-
Deficit	(7,108)	(13,058)

Notes to the Financial Statements

for the 52 weeks ended 30 September 2017

CONTINUED

23. Pensions CONTINUED

Amounts recognised in other comprehensive income

	30 September 2017	1 October 2016
	£'000	£'000
Return on plan assets	1,133	7,297
Actuarial losses arising from changes in:		
Experience Loss	-	3,969
Demographic assumptions	1,713	547
Financial assumptions	4,362	(20,003)
Total actuarial gain / (loss)	6,075	(15,487)
Impact of asset ceiling	(1,600)	-
Deferred tax on employee benefit scheme	(1,217)	1,474
Total amount recognised in other comprehensive expense	4,391	(6,716)

Notes to the Financial Statements

for the 52 weeks ended 30 September 2017

CONTINUED

23. Pensions **CONTINUED**

The following figures are based on a full actuarial valuation performed in April 2017 and March 2017 for the Shoe Zone and Shoefayre schemes respectively which was carried out by a qualified independent actuary. This actuarial valuation has been updated to 30 September 2017 for the purpose of calculating the pension surplus and disclosures in the current period.

Post retirement mortality

	30 September 2017	1 October 2016
Life expectancy	Years	Years
Male currently aged 45	90	90
Female currently aged 45	92	92
Male currently aged 65	88	88
Female currently aged 65	90	90

Financial assumptions

	30 September 2017	1 October 2016
	%	%
Deferred pension revaluation	2.55	2.35
Pension increases	3.40	3.20
Discount rate	2.75	2.40
Consumer Price Index	2.55	2.35
Retail Price Index	3.55	3.35

The weighted average duration of the defined benefit obligation for the Shoe Zone scheme at 30 September 2017 is 17 years (1 October 2016 – 16.5 years).

The weighted average duration of the defined benefit obligation for the Shoefayre scheme at 30 September 2017 is 19 years (1 October 2016 – 18.5 years).

Notes to the Financial Statements

for the 52 weeks ended 30 September 2017

CONTINUED

23. Pensions 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

	30 September 2017	1 October 2016
Equities	30%	29%
Property	10%	9%
Gilts/bonds	14%	20%
Cash	1%	1%
Diversified Growth Funds	32%	33%
Liability Driven Investment	13%	8%
	100%	100%

The actual return on the Scheme's assets net of expenses over the period to the review date was a gain of £2,292,000 (1 October 2016: £6,872,000).

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.

Notes to the Financial Statements

for the 52 weeks ended 30 September 2017

CONTINUED

23. Pensions

CONTINUED

Amounts recognised in the income statement over the period

	30 September 2017	1 October 2016
	£'000	£'000
Interest cost	(1,190)	(1,658)
Expected return on assets	1,122	1,609
	(68)	(49)

Amounts recognised in the statement of financial position

	30 September 2017	1 October 2016
	£'000	£'000
Fair value of assets	48,286	47,556
Present value of funded obligations	(46,686)	(50,387)
Surplus / (deficit)	1,600	(2,831)
Impact of asset ceiling	(1,600)	-
Net defined benefit liability	-	(2,831)

Notes to the Financial Statements

for the 52 weeks ended 30 September 2017

CONTINUED

23. Pensions

CONTINUED

Defined benefit scheme - Shoe Zone Pension Scheme (continued)

Amounts recognised in other comprehensive income

	30 September 2017	1 October 2016
	£'000	£'000
Return on plan assets	1,170	5,263
Actuarial losses arising from changes in:		
Experience losses	-	3,044
Demographic assumptions	878	440
Financial assumptions	2,397	(10,260)
Total actuarial loss	3,275	(6,776)
Changes in effect of asset ceiling	(1,600)	-
Deferred tax on employee benefit scheme	(618)	272
Total amount recognised in other comprehensive expense	2,227	(1,241)

Reconciliation of assets and defined benefit obligation

The change in assets over the period was:

	30 September 2017	1 October 2016
	£'000	£'000
Fair value of assets at the beginning of the period	47,556	42,899
Expected return on assets	1,122	1,609
Company contributions	54	-
Benefits paid	(1,616)	(2,215)
Actuarial gain	1,170	5,263
Fair value of assets at the end of the period	48,286	47,556

Notes to the Financial Statements

for the 52 weeks ended 30 September 2017

CONTINUED

23. Pensions CONTINUED

Defined benefit scheme - Shoe Zone Pension Scheme (continued)

The change in defined benefit obligation over the period was:

	30 September 2017	1 October 2016
	£'000	£'000
Defined benefit obligation at the beginning of the period	50,387	44,168
Interest cost	1,190	1,658
Benefits paid	(1,616)	(2,215)
Actuarial (gain)/loss	(3,275)	6,776
Defined benefit obligation at the end of the period	46,686	50,387

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%	-7%
Minus 0.50%	+8%
Inflation	
Plus 0.50%	+2%
Minus 0.50%	-1%
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.

Notes to the Financial Statements

for the 52 weeks ended 30 September 2017

CONTINUED

23. Pensions CONTINUED

Defined benefit scheme - Shoefayre Limited Pension and Life Assurance Scheme

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

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

Asset Category	30 September 2017	1 October 2016
Equities	18%	17%
Property	13%	11%
Gilts/bonds	13%	30%
Cash	0%	1%
Diversified Growth Funds	39%	33%
Liability Driven Investment	17%	8%
	100%	100%

The actual return on the Scheme's assets net of expenses over the period to the review date was a gain of £697,000 (1 October 2016: £3,164,000). The assets do not include any investments in shares of the company.

The expected return on assets is a weighted average of the assumed long-term returns 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

	30 September 2017	1 October 2016
	£'000	£'000
Fair value of assets	29,779	32,148
Present value of funded obligations	(36,887)	(42,375)
Net liability	(7,108)	(10,227)

Notes to the Financial Statements

for the 52 weeks ended 30 September 2017

CONTINUED

23. Pensions CONTINUED

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

Amounts recognised in other comprehensive income

	30 September 2017	1 October 2016
	£'000	£'000
Loss / (gain) on plan assets	(38)	2,034
Actuarial losses / (gains) arising from changes in:		
Experience	-	925
Demographic assumptions	835	107
Financial assumptions	1,965	(9,743)
Total actuarial gain / (loss)	2,800	(8,711)
Deferred tax on employee benefit scheme	(599)	1,202
Total amount recognised in other comprehensive expense	2,163	(5,475)

Amounts recognised in the income statement over the period

	30 September 2017	1 October 2016
	£'000	£'000
Interest cost	(973)	(1,271)
Expected return on assets	735	1,130
	(238)	(141)

Notes to the Financial Statements

for the 52 weeks ended 30 September 2017

CONTINUED

23. Pensions CONTINUED

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

Reconciliation of assets and defined benefit obligation

The change in assets over the period was:

	30 September 2017	1 October 2016
	£'000	£'000
Fair value of assets at the beginning of the period	32,148	29,737
Expected return on assets	735	1,130
Employer contributions	595	472
Benefits paid	(3,661)	(1,225)
Actuarial (loss)/gain on assets	(38)	2,034
Fair value of assets at the end of the period	29,779	32,148

The change in defined benefit obligation over the period was:

	30 September 2017	1 October 2016
	£'000	£'000
Defined benefit obligation at the beginning of the period	42,375	33,618
Interest cost	973	1,271
Benefits paid	(3,661)	(1,225)
Actuarial loss on obligation	(2,800)	8,711
Defined benefit obligation at the end of the period	36,887	42,375

Contributions of £595,000 are expected to be made during the year ended 29 September 2018 by Shoe Zone Retail Limited.

Notes to the Financial Statements

for the 52 weeks ended 30 September 2017

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23. Pensions CONTINUED

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

Sensitivity of the value placed on the liabilities:

Adjustments to assumptions	Approximate effect on liabilities
Discount rate	
Plus 0.50%	-8%
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:

	30 September 2017	1 October 2016
	£'000	£'000
Cash at banks and in hand	11,786	15,046
Cash and cash equivalents	11,786	15,046

Notes to the Financial Statements

for the 52 weeks ended 30 September 2017

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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 30 September 2017	52 weeks ended 1 October 2016
	£'000	£'000
Rent paid to Zone Executive Pension Scheme	163	163
Contributions to the:		
Shoe Zone Worksave Pension Plan	924	930
Shoe Zone Pension Scheme	56	2
Shoefayre Limited Pension and Life Assurance Scheme	595	472
	1,738	1,567

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

	52 weeks ended 30 September 2017	52 weeks ended 1 October 2016
	£'000	£'000
Short term employee benefits	949	868
Post-employment benefit	24	19
Employers national insurance	114	105
	1,087	992

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

Notes to the Financial Statements

for the 52 weeks ended 30 September 2017

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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 30 September 2017	52 weeks ended 1 October 2016
	£'000	£'000
Numerator		
Profit for the year and earnings used in basic and diluted EPS	7,883	8,451
	52 weeks ended 30 September 2017	52 weeks ended 1 October 2016
	£'000	£'000
Denominator		
Weighted average number of shares used in basic and diluted EPS	50,000,000	50,000,000

26. 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 30 September 2017

	Note	30 September 2017	1 October 2016
		£'000	£'000
Fixed assets			
Investments	2	68,644	68,644
		68,644	68,644
Current assets			
Debtors	3	17	17
		17	17
Creditors: amounts falling due within one year	4	(1,146)	(979)
Net current liabilities		(1,129)	(962)
Net assets		67,515	67,682
Capital and reserves			
Called up share capital	5	500	500
Merger reserve	6	586	586
Profit and loss account	6	66,429	66,596
Total shareholders' funds		67,515	67,682

The company made a profit during the year of £8,933,000 (2016: £8,042,000).

The financial statements were approved and authorised for issue by the Board of Directors and were signed on its behalf by:

Jonathan Fearn
Chief Financial Officer
Date: 9 January 2018

Registered Number 08961190

Company Statement of Changes in Equity

for the 52 weeks ended 30 September 2017

	Share capital	Merger reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000
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
Profit for the period	-	-	8,933	8,933
Total comprehensive income for the period	-	-	8,933	8,933
Dividends paid during the year (note 6)	-	-	(9,100)	(9,100)
Total contributions by and distributions to owners	-	-	(9,100)	(9,100)
At 30 September 2017	500	586	66,429	67,515

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 30 September 2017

1. Accounting policies

Basis of preparation

The Company's financial period is 30 September 2017. 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 £8,933,000 (1 October 2016: £8,042,000)

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 30 September 2017

CONTINUED

2. Fixed Asset Investments

	30 September 2017	1 October 2016
	£'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

The registered address of all of the above subsidiaries is Haremead Business Centre, Humberstone Road, Leicester, LE1 2LH.

Notes to the Company Financial Statements for the 52 weeks ended 30 September 2017

CONTINUED

3. Debtors

	30 September 2017	1 October 2016
	£'000	£'000
Prepayments	17	17

4. Creditors: amounts falling due within one year

	30 September 2017	1 October 2016
	£'000	£'000
Amounts owing to group undertakings	1,136	973
Accruals	10	6
	1,146	979

5. Share capital

	30 September 2017	1 October 2016
	£'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 1 October 2016	586	66,596
Profit for the financial period	-	8,933
Dividends paid during the year	-	(9,100)
At 30 September 2017	586	66,429

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

A E P Smith
N J Davis
J C P Smith
J L Fearn (appointed 7 Mar 2017)
J W Sharman
C J Caminada
M J Collins

Secretary

L S Hennell

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

Link 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 Harnmead Business Centre, Humberstone Road, Leicester, Leicestershire LE1 2LH on Thursday, 1 March 2018 at 9:30am 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 to 16 will be proposed as special resolutions.

1. To receive and adopt the Company's annual accounts for the financial period ended 30 September 2017 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 30 September 2017.
3. To re-elect Charles Smith as a Director.
4. To re-elect Anthony Smith as a Director.
5. To re-elect Nick Davis as a Director.
6. To elect Jonathan Fearn as a Director.
7. To re-elect Charlie Caminada as a Director.
8. To re-elect Jeremy Sharman as a Director.
9. To re-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 2019.
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 2019 and the conclusion of the annual general meeting of the Company to be held in 2019. 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.

Notice of Annual General Meeting

CONTINUED

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 2019 and the conclusion of the annual general meeting of the Company to be held in 2019, 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 1 March 2018 ('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

Notice of Annual General Meeting

CONTINUED

- 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 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 matters; 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 2019 and the conclusion of the annual general meeting of the Company to be held in 2019, 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 1 March 2018 ('Resolution 13') and in addition to any authority granted pursuant to resolution 14 proposed at the annual general meeting of the Company convened for 1 March 2018, 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
- 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 2019 and the conclusion of the annual general meeting of the Company to be held in 2019, 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.

- 16. That, the Company be and is hereby generally authorised pursuant to section 701 of the Companies Act 2006 (the 'Act') to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of £0.01 each in the capital of the Company ('Ordinary Shares') on such terms and in such manner as the Directors of the Company may from time to time determine, provided that:

Notice of Annual General Meeting

CONTINUED

a. the aggregate nominal amount of such Ordinary Shares hereby authorised to be acquired by the Company shall not exceed £50,000.00;

b. the price that may be paid by the Company for any of its Ordinary Shares shall not be less than £0.01, being the nominal value of each Ordinary Share, and shall not be greater than the higher of, exclusive of expenses:

i. an amount equal to 105% of the average trading price of the Ordinary Shares as derived from the middle market quotations for an Ordinary Share on the London Stock Exchange Daily Official List for the five trading days immediately preceding the date on which a share is contracted to be purchased; and

ii. the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out,

and unless previously revoked, renewed, extended or varied, the authority hereby conferred shall expire on the earlier of 31 March 2019 and the conclusion of the annual general meeting of the Company to be held in 2019, save that the Company may before such expiry make an offer or enter into an agreement which would or might require such purchases of Ordinary Shares to be carried out after such expiry and the Directors may carry out such purchases in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

By order of the Board

Lee S Hennell
Company Secretary
Date: 9 January 2018

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

Notice of Annual General Meeting

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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, Link Asset Services (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.

Notice of Annual General Meeting

CONTINUED

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.

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 27 February 2018 (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.

Notice of Annual General Meeting

CONTINUED

8. Voting rights

As at 10 January 2018 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 2018 were 50,000,000 votes.

Shoe Zone plc

Annual Report & Accounts 2017

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