



Shoezone

Lotus

Wrangler

Kickers

Clarks

SKECHERS

Hush Puppies

Wrangler

MERRY Christmas

MERRY Christmas

womens

2019

Annual Report & Accounts

This document is important and requires your immediate attention. If you are in any doubt as to the action you should take, you should contact an appropriate independent advisor 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.

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Financial Highlights

REVENUE

£162.0m

2018: £160.6m

FINAL DIVIDEND

8.0p

2018: 8.0p

UNDERLYING PBT

£9.6m

2018: £11.3m

TOTAL ORDINARY DIVIDEND

11.5p

2018: 11.5p

DIGITAL CONTRIBUTION

£3.0m

2018: £2.6m

PRODUCT GROSS MARGIN

62.7%

2018: 62.7%

BIG BOX CONTRIBUTION

£1.5m

2018: £0.4m

NET CASH

£11.4m

2018: £15.7m

Chief Executive's report

I am delighted to be back running this market-leading business knowing it has amazing potential to produce great results.

The core business model remains robust and combined with the refreshed strategy of Big Box expansion, higher Digital growth and Town Centre renewal, the Board are confident that this enhanced strategic focus will improve customer experience, increase market share and drive shareholder returns.

In 2019, the business delivered revenue growth of 0.9% to £162.0m (2018: £160.6m), driven by the Big Box expansion and Digital division. Shoe Zone continues to generate cash effectively from a robust and debt free balance sheet.

Underlying Profit before Tax was £9.6m (2018: £11.3m) marginally ahead of our revised expectations. Government imposed increases in our operational costs presented challenges in maintaining levels of profitability year on year (see High Street section).

During the year we also took the decision to review the freehold property values held by Shoe Zone to reflect the current retail property environment. This resulted in a non-cash adjustment of £2.9m which reduces Underlying Profit before Tax from £9.6m to Statutory Profit before Tax of £6.7m.

Earnings per Share is therefore 11.43p (2018: 19.03p).



Chief Executive's Report **CONTINUED**

Strategy

The refreshed Shoe Zone strategy has three main objectives:

- Big Box expansion
- Digital growth
- Town Centre renewal

Big Box Expansion

The Big Box portfolio has expanded by 21 stores to a total of 39 stores operational at year end (45 stores operational by 31 December 2019). Big Box stores have already become a key part of the business with revenue of £15.6m (2018: £7.1m) and profit contribution of £1.5m in the period (2018: £0.4m), a significant increase which represented 9.6% of total revenue and 6.7% of store cash contribution during 2019.

During the year we continued to develop the Big Box model. We have successfully revived the 'Lilley & Skinner' brand and introduced Spring/Summer ranges of premium sandals and Autumn/Winter ranges of high quality boots. These are sourced direct from our existing manufacturer base and consistently deliver margins in excess of 70%.

We have also continued to build our brand relationships, all of which are very supportive of our Big Box and Hybrid formats and future growth potential. This ongoing partnership will ensure that we deliver the best products at competitive margins to ensure continued profitable growth for Big Box and Hybrid stores.

The high availability and low demand for out of town retail premises has allowed us to achieve very competitive lease deals. We continue to only sign five year contracts and typically negotiate long rent-free periods, effectively funding over 50% of the refit capital required.

Digital Growth

Digital continues to be a key area of focus for the business. During 2019 we consolidated our internal resource to create an autonomous Digital department. This investment, allied with a drive to expand our email database and increase the volume of offers sent out has resulted in a step change in Digital performance.

Digital delivered revenue growth of 13.0% in the second half, compared to 5.2% in the first half, giving overall growth of 9.2% for the full year. Total Digital revenue was £10.6m (2018: £9.7m) with contribution of £3.0m (2018: £2.6m), an increase in full year contribution of 15.4%.

Our focus on Digital has led to significant positive momentum in key website statistics, particularly in the second half:

Chief Executive's Report **CONTINUED**

	H1	H2	Full Year
Visits to shoezone.com and shoezone.ie	4.4m	6.1m	10.5m
Volume of orders	157k	194k	351k
Number of Online Exclusive lines	185	525	
Percentage of sales from Online Exclusive lines	3.2%	4.9%	
New engaged database members	358k	519k	
Size of engaged database			1,008k
E-mail traffic	815k	1,586k	2,401k

By the close of the year we achieved an email database size of over 1 million engaged members. This growth, allied with the increased volume of email traffic, has resulted in a slightly lower conversion rate of 3.48% (2018: 4.1%).

Returns continue to be extremely low at around 11%, with 80% of those returned direct to store.

Town Centre Renewal

We are not part of the death of the high street despite successive governments putting barriers in our way.

We have been trialling four Hybrid stores, in which 50% of the Big Box range (total style count of 550) is sold within a traditional Shoe Zone store with enhanced fixtures and fittings. The stores have performed extremely well and we now plan to roll out at least 20 of these in 2020. In addition to sales and profit growth, the returns on capital are greater than for a traditional High Street refit. We now believe this will form the backbone of our Town Centre renewal strategy over the next five years and form the core of our future Town Centre profitability.

This new proposition, coupled with our ability to maintain the profitability of the existing estate by closing poor performing stores, reducing rents at the time of lease renewal, and lowering other costs through improved technology and increased productivity means that the Shoe Zone Town Centre offering will continue to contribute to the profitability of the business and deliver increased returns for shareholders.

Chief Executive's Report **CONTINUED**

Portfolio Developments

We ended the year operating from 500 stores, having opened 24 and closed 16 during the period. 21 of the openings were the continued roll out of Big Box, one was a Hybrid and the remaining two were the standard High Street format.

The core estate continues to be invested in and refreshed. Total capital spend of £6.6m included the 24 new openings, 30 full refits and the ongoing rebranding of the retail estate. We expect to complete the rebranding programme by the end of 2020.

The focus on managing property costs has resulted in rents at lease renewal falling by 23.6% (2018: 23.1%) delivering £631k of annual savings and continuing the trend seen in recent years. We expect that this trend will continue as supply in the retail property market continues to outstrip demand and properties fall vacant following CVAs and Administrations.

The business continues to benefit from a flexible property portfolio, with an average lease length of 2.1 years, which gives us significant opportunity to respond to changes in shopping patterns in any retail location at short notice.

Other objectives

In addition to our core strategy we are focused on accelerating key areas of business operations. Our statistics are market-leading however we believe we can go much further by:

- Reinventing our procedures for a paperless environment to increase productivity, reduce costs and be environmentally friendly;
- Reducing Head Office costs to below 10% of sales;
- Simplifying the marketing strategy with renewed focus on price; and
- Streamlining style count to improve availability/ stockturn/ markdowns.



Chief Executive's Report **CONTINUED**

The High Street

Retail is the single largest sector of employment in High Street locations providing circa. 30% of all employment.

It is vital that Government recognises the impact of the increasing financial burden placed on businesses on the High Street by successive governments and their policies.

For example, the impact of Property Taxes on Shoe Zone can be seen by examining the impact of Business Rates.

Over the past 10 years the rates paid as a proportion of our rent has increased from 26.4% in 2009 to 54.3% in 2019. In 2009, with 805 stores and sales of £268.2m we paid £10.4m in Business rates, 3.9% of sales.

In 2019, the value of rates paid has increased by £700k despite having 38% fewer stores and 30% lower sales. It now represents 6.0% of our sales.

	2009	2019	Change
Number of stores	805	500	-305 (-38%)
Sales	£268.2m	£185.8m	£-82.4m (-30%)
Rents	£38.7m	£20.4m	£-18.3m (-47%)
Rates paid	£10.4m	£11.1m	£+0.7m (+7%)
Rates as a proportion of sales (inc. BIDS)	3.9%	6.0%	+2.1p.p
Rates as a proportion of rent (inc. BIDS)	26.4%	54.3%	+27.9p.p



Chief Executive's Report **CONTINUED**

If rates had been maintained at the same proportion of rents paid throughout the period, Shoe Zone would have delivered an additional £55m Profit before Tax; around a 55% increase on the actual value of profit earned during that time.

In total, the tax burden on Shoe Zone has risen over the past 10 years from 9% of sales to 16% of sales. The impact of each area of legislation can be seen in the following table.

	2009	2019	Change
	£m / % of sales	£m / % of sales	£m / % of growth
Sales	268.2	185.8	-82.4 / -30%
Property Taxes	10.4 / 3.9%	11.0 / 6.0%	+0.6 / +2.1p.p
Sales Tax (VAT)	9.3 / 3.5%	14.5 / 7.8%	+5.2 / +4.3p.p
Corporation Tax	2.2 / 0.8%	2.2 / 1.2%	+0.0 / +0.4p.p
Employment Taxes	3.1 / 1.2%	2.0 / 1.1%	-1.0 / -0.1p.p
Total Taxes Paid	25.1 / 9.3%	29.7 / 16.0%	+4.6 / +6.7p.p

We will continue to use self-remedies to counter these unjust increases in taxation.

Doing the right things

We are incredibly proud of all of our team's effort in achieving these results and want to thank them for their ongoing commitment and hard work.

During 2019, Shoe Zone donated over £100,000 to charitable causes. We continue to support BBC Children in Need and the enthusiasm and commitment of our colleagues has resulted in us collectively raising over £750,000 in the last five years.

We recognise the impact of our activities on the environment. We relentlessly review our use of plastics and aim to reconsider usage before recycling. As an example, we have eliminated single use plastics in all own label product and use sea transportation to reduce emissions.

In our refits we use LED lighting in order to reduce energy consumption and wastage of fluorescent lighting tubes. LED lighting has now also been fitted throughout Head Office.

As a last resort our delivery lorries return any recyclable materials back to the Distribution centre for reuse or recycling.

We are also transitioning our car fleet to hybrid cars.



Board Changes

The Shoe Zone plc Board was restructured in August. Anthony Smith moved from Chairman to Chief Executive and Charles Smith was appointed Interim Chairman. Jonathan Fearn continues his role as Chief Financial Officer and Catherine Bowen was promoted from Legal Counsel to join the plc Board as Company Secretary.

The Non-executive Directors; Deputy Chairman Jeremy Sharman, Charlie Caminada and Malcolm Collins all now serve on the Remuneration and Audit Committees.

Dividend

The Board recognises that a stable and growing dividend is important to shareholders. Therefore, the Board is proposing to maintain the final dividend of 8.0p (2018: 8.0p) per share, giving a total ordinary dividend for the year of 11.5p (2018: 11.5p) per share, despite the fall in underlying earnings in the year. We believe that this demonstrates our confidence in the future growth of the business while rewarding shareholders for their ongoing support. This results in a pay-out ratio above our historical guidelines of 60% of earnings.

The dividend will be paid to shareholders on the register on 28 February 2020, payable on 18 March 2020 if approved at the Annual General Meeting, which will be held on 5 March 2020. The shares will go ex-dividend on 26 February 2020.

Chief Executive's Report **CONTINUED**

Current trading and Outlook

We have continued to drive the refreshed strategy into the new financial year and the implementation is moving at pace and with momentum.

We have opened six new Big Box stores achieving our target of 45 stores by December, and are aiming to have a total of 65 Big Box stores open by December 2020. Our new Hybrid format is being accelerated with a target of 20 by October 2020, and we will complete our rebranding programme by the end of 2020.



Chief Executive's Report **CONTINUED**

We expect the business to continue to generate strong cash conversion and anticipate that capital expenditure will continue at current levels as we improve the standard of the store portfolio.

Shoe Zone has made a solid start to the year and is trading in line with market expectations. The Board is positive about the outlook for the year with the refreshed strategy well underway.





Financial Review

In the 53 weeks to 5 October 2019, Revenues increased by 0.9% to £162.0m (2018: £160.6m). We ended the year with 500 stores, a net increase of eight stores on 2018 (2018 saw a net reduction of four stores) and continue to operate from a robust and debt-free balance sheet.

Underlying Profit before Tax was £9.6m (2018: £11.3m). This reduction in Profit before Tax was due to increases in store operating costs primarily as a result of the phasing of store openings and increases in staff costs in line with minimum wage. This was offset by the ongoing focus on cost reductions in rent and rates.

During the year, we undertook a review of the value of the 17 freeholds held on the balance sheet. This review resulted in a one off non-cash adjustment of £2.9m to Statutory Profit. This resulted in a reduction of Profit Before Tax from £9.6m to £6.7m. Earnings per Share is therefore 11.43p (2018: 19.03p).

Digital growth has proved strong with revenues of £10.6m (2018: £9.7m), and this has now developed to account for 6.5% of total sales (2018: 6.1%). Profit contribution from Digital increased by 15.4% to £3.0m (2018: £2.6m) in the year.

Product Gross Margin remained strong at 62.7% (2018: 62.7%), reflecting a continued focus on direct sourcing and successful negotiations with suppliers.

Operating expenses decreased to £18.2m (2018: £19.1m). Administration expenses decreased

Financial Review **CONTINUED**

by £1.0m primarily due to the reduced impact of foreign exchange differences and a reduction in profit share bonuses. Distribution costs remained broadly flat year on year with staff cost increases being partially offset by warehouse efficiencies.

The effective rate of corporation tax for the year was 19.4% (2018: 19.8%).

Capital expenditure increased to £6.6m (2018: £5.0m). The increase was driven by the accelerated expansion of the Big Box portfolio and ongoing Head Office reconfiguration and IT equipment costs.

The pension liability has increased by £3.4m, from £6.3m to £9.7m. The triennial actuarial valuations for the schemes are currently in progress and the Company is in discussions with the trustees on the options for the future funding of these schemes. During the year, deficit reduction contributions of £890,000 were made between the two schemes.

Derivative financial assets of £2.7m, compared to £1.4m in the prior year, represents the mark to market valuation of the derivative hedges in place at the end of the financial year. As outlined in the annual 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 £14.2m cash from operations, a year on year decrease of £0.7m resulting in a net cash position of £11.4m (2018: £15.7m) at the year end. Despite the slight decrease in cash generated in the current year, this still represents a strong debt free balance sheet. The Group's current bank facilities consist of an on demand overdraft facility of £3.0m. This facility has not been used within the year.

The Board is proposing a final dividend of 8.0p (2018: 8.0p) per share, resulting in a total ordinary dividend for the year of 11.5p (2018: 11.5p) per share. The Board recognises that a stable and growing dividend is important to shareholders. Therefore, the Board is proposing to maintain the final dividend and therefore giving a total ordinary dividend for the year in line with last year, despite the fall in underlying earnings in the year.

The dividends will be paid to shareholders on the register on 28 February 2020, payable on 18 March 2020 if approved at the Annual General Meeting to be held on 5 March 2020. The shares will go ex-dividend on 26 February 2020.

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 %

6.5%

2018: 6.1%

Online sales as a percentage of total sales. Online sales exclude orders placed in store.

The online participation increased by 40 basis points to 6.5% (2018: 6.1%). This performance reflects the growth of the Shoe Zone website sales and the offering on eBay and Amazon.

PRODUCT GROSS MARGIN %

62.7%

2018: 62.7%

Product Gross Profit expressed as a percentage of revenue.

Product Gross Margin remained stable at 62.7% (2018: 62.7%). This maintenance of a high Gross Margin reflects the ongoing focus on direct sourcing which was 88% of total footwear purchases.

CASH BALANCE

£11.4m

2018: £15.7m

Cash held by the Group at the period end.

We finished the year with a cash balance of £11.4m (2018: £15.7m).

EARNINGS PER SHARE

11.43p

2018: 19.03p

The percentage movement in Earnings per Share.

Earnings per Share decreased to 11.43p (2018:19.03p).

RENTAL % OF TURNOVER

13.1%

2018: 12.6%

Store rent as a percentage of turnover.

The rental % of turnover has increased from 12.6% to 13.1%. The slight increase represents the impact of the higher rent Big Box stores offset by continuing reductions on the renewal of leases of 23.6%.

Principal Risks and Uncertainties

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

Market and Competition

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

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



Principal Risks and Uncertainties **CONTINUED**

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, 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 best sellers on a weekly basis 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, currency exchange rates, interest and tax rates, may adversely affect the disposable income of the Group's customers, which could result in lower sales. In particular, in times of economic uncertainty or recession or lack of consumer confidence, there may be a decrease in discretionary purchases generally, which could have a material adverse effect on the Group's business, results of operations and financial condition. Global economic conditions and uncertainties may also impact the Group's manufacturers and suppliers in ways that could adversely affect the Group's business.

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



Principal Risks and Uncertainties **CONTINUED**

Reliance on overseas suppliers

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

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

The Board is 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.



Earth Works
• Safety Footwear •

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.

The business has developed and maintains a Business Continuity Plan for the unlikely scenario of long term disruption to the Leicester premises. The business retains appropriate insurance to mitigate the risk of such a loss.

Principal Risks and Uncertainties **CONTINUED**

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, anti-spam 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.

Brexit

Shoe Zone continues to review the potential risks and opportunities that Brexit may pose or offer in terms of continued uncertainty. Within the Shoe Zone product range, less than 2.5% of all stock is purchased from within the EU. The duty paid on non-EU purchases is in line with WTO terms and therefore the risk of a no-deal Brexit forcing the UK to adopt these terms is minimal.

Therefore there are two remaining risks around imports of finished products from the Far East; a period instability of the Sterling Dollar exchange rate or an increase in the time taken for imports to clear customs. Shoe Zone has already taken steps to mitigate these risks.

Principal Risks and Uncertainties

CONTINUED

Hedging policy and processes have been reviewed and Shoe Zone are hedged at the required levels for the full 2019/2020 financial year.

Imports of finished goods from the Far East are landed in the UK, primarily at Felixstowe, where focus is on non-EU arrivals. Logistics are managed by a third party provider who have Authorised Economic Operator (AEO) status to minimise delays for goods passing through customs and the in-house Shipping Team are liaising very closely with the logistics providers own working group to ensure we can address any issues as they arise.

The strategic report was approved by the Board.

On behalf of the Board

Jonathan Fearn
Chief Financial Officer
Date: 7 January 2020





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Corporate Governance Statement

Chairman's Statement

It is with pleasure that I take the opportunity to outline the approach taken to Corporate Governance within Shoe Zone plc.

The Board is committed to maintaining high standards of corporate governance and, with effect from 1 September 2018, the Board has adopted the Quoted Companies Alliance's (QCA) Corporate Governance Code for small and mid-size quoted companies (the "Code").

The Code was revised in April 2018 to meet the new requirements of AIM Rule 26 and sets out ten broad principles of corporate governance, states what are considered to be appropriate corporate governance arrangements for growing companies and requires companies to provide an explanation about how they are meeting the principles through certain prescribed disclosures.

The Chairman leads the Board and is responsible for its overall effectiveness in directing the Company. He manages the Board agenda and ensures that all Directors receive accurate, timely and clear information and effectively contribute their various talents and experience in the development and implementation of the Company's strategy. He ensures that the nature and extent of the significant risks the Company is willing to embrace in the implementation of its strategy are challenged and determined by the Board. The Chairman is responsible for ensuring that the Board implements, maintains and communicates effective corporate governance processes and for promoting a culture of openness and debate designed to foster a positive governance culture throughout the Company.

The Board has considered how each principle is applied and provides below an explanation of the approach taken in relation to each and how they support the Company's medium to long-term success.

The Board considers that it does not depart from any of the principles of the QCA Code and there have been no corporate governance matters in the previous year.

Charles Smith
Interim Chairman
Date: 7 January 2020

Corporate Governance Statement

CONTINUED

THE TEN PRINCIPLES OF THE QCA CODE

1

CATEGORY: DELIVER GROWTH

PRINCIPLE: ESTABLISH A STRATEGY AND BUSINESS MODEL WHICH PROMOTE LONG-TERM VALUE FOR SHAREHOLDERS

- Shoe Zone is a value retailer of shoes and associated products. Its strength is based on three pillars;
 - Big Box expansion
 - Digital growth
 - Town Centre renewal
- This business model has been developed over many years and has proved successful in both profit performance and cash generation.

2

CATEGORY: DELIVER GROWTH

PRINCIPLE: SEEK TO UNDERSTAND AND MEET SHAREHOLDER NEEDS AND EXPECTATIONS.

- The Chief Executive and the Chief Financial Officer are primarily responsible for maintaining dialogue with shareholders, supported by the Company's broker and financial PR advisers.
- The Chief Executive and CFO hold both one-to-one and group meetings with shareholders and the investing community following the announcement of the annual and interim results. The Chairman also attends a number of these group meetings.
- Following these meetings, the Company's brokers provide independent and anonymised feedback to the Board on shareholders' views. The Company's financial PR advisers also provide feedback to the Board on views of analysts.

Corporate Governance Statement

CONTINUED

3

CATEGORY: DELIVER GROWTH

PRINCIPLE: TAKE INTO ACCOUNT WIDER STAKEHOLDER AND SOCIAL RESPONSIBILITIES AND THEIR IMPLICATIONS FOR LONG TERM SUCCESS.

- Shoe Zone takes its wider stakeholder population into account within its decision making processes.
- Examples of this are:
 - The Shoe Zone supplier manual outlines minimum working practices that we expect from all our suppliers.
 - The buying team, and in some instances the Chief Executive, visit every factory that supplies us with manufactured product.
 - We hold employee forums for the Distribution Centre and in particular, prior to changing shift patterns and afterwards to understand the implementation and any ongoing issues that it may have been caused.
 - Prior to the implementation of new uniforms, we trialled them over a number of stores and feedback was sought from employees before the final design and materials had been approved.
- We are working with suppliers to eliminate plastic materials from the supply chain as far as possible. Most recently we have replaced plastic 'shoe shapers' with biodegradable cardboard ones.
- We collect all plastic and cardboard waste from our stores. Where possible, we reuse or recycle cardboard waste and recycle plastic waste through a third party.
- Shoe Zone is committed to eliminating all forms of slavery and the company website outlines the actions we are taking to ensure that we are supportive of the wider movement.

4

CATEGORY: DELIVER GROWTH

PRINCIPLE: EMBED EFFECTIVE RISK MANAGEMENT, CONSIDERING BOTH OPPORTUNITIES AND THREATS, THROUGHOUT THE ORGANISATION.

- The key risks and the approach taken to mitigate these is detailed in the Annual Report and Accounts. The key risks identified are listed in the Annual Report elsewhere.

Corporate Governance Statement

CONTINUED

5

CATEGORY: MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

PRINCIPLE: MAINTAIN THE BOARD AS A WELL-FUNCTIONING, BALANCED TEAM LED BY THE CHAIR.

- The board consists of three Executive Directors and three Non-executive Directors.
- The Interim Chairman is Charles Smith, who is also a major shareholder with 22.22% shareholding.
- The Non-executive Deputy Chairman is Jeremy Sharman, who is a shareholder and is also Chair of the Audit Committee.
- The remaining Executive board members are Anthony Smith Chief Executive and Jonathan Fearn, CFO. Anthony Smith is the largest shareholder with 27.79%.
- The remaining Non-executive Directors are Charlie Caminada and Malcolm Collins. Charlie is Chairman of the Remuneration Committee.
- Within the Executive Directors, Anthony Smith and Jonathan Fearn are full time Directors. Charles Smith is employed for four days a week.
- The Non-executive Directors are selected for the specific skills and expertise that they contribute to the business. This ranges from experience of investment banking, investor relations, footwear retail and supply chain expertise.

6

CATEGORY: MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

PRINCIPLE: ENSURE THAT BETWEEN THEM THE DIRECTORS HAVE THE NECESSARY UP-TO-DATE EXPERIENCE, SKILLS AND CAPABILITIES.

- Please refer to the Investor Relations section of the website for further details of the Directors.

Corporate Governance Statement

CONTINUED

7

CATEGORY: MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

PRINCIPLE: EVALUATE BOARD PERFORMANCE BASED ON CLEAR AND RELEVANT OBJECTIVES, SEEKING CONTINUOUS IMPROVEMENT.

- The Executive Board consists of the two main shareholders, Anthony and Charles Smith, and Jonathan Fearn (CFO).
- Within the organisation there is also an Executive Committee and a wider Management Team that has functional responsibility for the business.
- The Board is constantly reviewing its own performance and that of the Executive Committee including its relevance and constitution as the business develops and grows. We look to identify those individuals who excel in their role and develop them through appointment to the Management Team and measure their success as part of the Group and the wider group.

8

CATEGORY: MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

PRINCIPLE: PROMOTE A CORPORATE CULTURE THAT IS BASED ON ETHICAL VALUES AND BEHAVIOURS.

- The Company seeks to promote an open culture where all employees feel that they contribute to the ongoing success of the business. We recognise those employees that particularly demonstrate these behaviours through both performance based rewards, such as in-store competitions, and non-performance based rewards such as 'Unsung Hero of the Month'.
- We also operate a non-contractual bonus scheme that rewards all employees, with service greater than one year, based on the overall company profit performance.

Corporate Governance Statement

CONTINUED

9

CATEGORY: MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

PRINCIPLE: MAINTAIN GOVERNANCE AND PROCESSES THAT ARE FIT FOR PURPOSE AND SUPPORT GOOD DECISION-MAKING BY THE BOARD.

- The Board meets around six times per year. Agendas and papers are issued in advance of the meeting in order to allow each member to prepare thoroughly. All Non-executive Directors are expected to attend these meetings.
- The Remuneration Committee and Audit Committee meet at least twice per year and their reports are contained in the Annual Report and Accounts.
- Draft minutes are circulated for all meetings and following feedback, approved by the various boards at their next meeting.
- Non-executive Directors are also called on where their expertise or advice would benefit the Company, such as pension negotiations, selection of a new audit partner, product range reviews or the selection of other advisors.
- Management meetings are also held periodically with other key senior members of the Company who hold functional responsibility. Information is disseminated through this group to the wider business and updates and feedback sought on key topics and areas.

10

CATEGORY: BUILD TRUST

PRINCIPLE: COMMUNICATE HOW THE COMPANY IS GOVERNED AND ITS PERFORMANCE BY MAINTAINING A DIALOGUE WITH SHAREHOLDERS AND OTHER RELEVANT STAKEHOLDERS.

- All shareholders are invited to make use of the Group's Annual General Meeting to raise any questions regarding the management or performance of the Company.
- Following the announcement of results the Company will also offer the chance for shareholders to meet the Chairman, Chief Executive and CFO to discuss performance and future plans.
- From time to time we also offer the opportunity for potential investors to visit a local store or Head Office in Leicester.
- All voting results for the Annual General Meeting on resolutions are available on the website and the reports of Board Committees are set out in the Annual Report and Accounts each year.



Corporate Governance Statement

CONTINUED

The Board

The Board comprises three Executive Directors (including the Chairman) and three Non-executive Directors. The Board composition meets the recommendations of the QCA guidelines.

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

The key responsibilities of the Board are:

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

Details of each of the Directors is given in their biographies on pages 32 and 33.

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 QCA 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.

Corporate Governance Statement

CONTINUED

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 all 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 34.

Board of Directors



Interim Chairman

CHARLES SMITH

Charles joined Shoe Zone in 1998, becoming Chief Operating Officer in 2001. He was appointed Interim Chairman in August 2019.

Charles is a founder and Trustee of the Shoe Zone Trust.

SPECIALISMS: 25 YEARS RETAIL PEOPLE MANAGEMENT



Chief Executive

ANTHONY SMITH

Anthony joined Shoe Zone in 1993 as Marketing Manager before becoming Chief Executive in 1997. Anthony was appointed Chairman in June 2016. He was re-appointed as Chief Executive in August 2019.

Anthony is a founder and Trustee of the Shoe Zone Trust.

SPECIALISMS: LONGEST STANDING FOOTWEAR CHIEF EXECUTIVE
30 YEARS FOOTWEAR RETAIL PROPERTY



Chief Financial Officer

JONATHAN FEARN

Jonathan joined Shoe Zone as Chief Financial Officer in 2016 and has subsequently gained responsibility for IT, Stock Control and Team Support. Jonathan has extensive experience within Strategic and Retail Finance, primarily within Celesio UK, including a period as a 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.

SPECIALISMS: 20 YEARS RETAIL AND CONSUMER CHANGE MANAGEMENT



Company Secretary

CATHERINE BOWEN

Catherine joined Shoe Zone in September 2018 as General Counsel and was appointed Company Secretary in September 2019. Catherine qualified as a solicitor in 2001 and has extensive legal experience in the retail sector, with a specialism in landlord and tenant matters. Catherine also taught, part time, on the Law Degree at University of Leicester for eight years, while continuing to practice.

SPECIALISMS: LANDLORD AND TENANT PROPERTY LAW RETAIL



Non-executive Deputy Chairman

JEREMY SHARMAN

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

SPECIALISMS: AUDIT PENSIONS DIGITAL



Non-executive Director

MALCOLM COLLINS

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

SPECIALISMS: FOOTWEAR INDUSTRY EXPERIENCE SUPPLY CHAIN



Non-executive Director

CHARLIE CAMINADA

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 which was sold to Apax & Partners for £493million. 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).

SPECIALISMS: AIM ADVISOR CORPORATE GOVERNANCE REMUNERATION

Remuneration Report

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

The Remuneration Committee consists of the Non-executive Directors. Charlie Caminada is the Chairman, Jeremy Sharman and Malcolm Collins also serve on the Committee.

Anthony Smith, 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 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; and
- agree the policy for authorising claims for expenses from the Directors.

Remuneration Report **CONTINUED**

Directors and Directors' interests

The Directors listed below all served through 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%
Charles Smith	11,109,408	(2)	22.22%
Jonathan Fearn	25,973		0.05%
Non-executive Directors			
Jeremy Sharman	234,375	(3)	0.47%
Charlie Caminada	15,625		0.03%
Malcolm Collins	Nil		Nil

- (1) The registered holder of these shares is Slawston Investments Limited, an entity jointly owned by Anthony and Catherine Smith
- (2) The registered holder of these shares is Sheepy Magna Investments Limited, an entity jointly owned by Charles and Sian Smith
- (3) The registered holder of 28,000 of these shares is Fiona Sharman, the wife of Jeremy Sharman

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)	LTIP paid within year	Benefits	Pension Contribution	Total
		£	£	£	£	£	£
Executive Directors							
Anthony Smith	FY19	250,000	-	-	53,342	-	303,342
	FY18	250,000	-	-	43,488	-	293,488
Nick Davis (1)	FY19	194,792	-	-	11,661	23,375	229,828
	FY18	206,000	208,668	23,413	10,610	24,720	473,411
Charles Smith	FY19	120,000	-	-	19,412	-	139,412
	FY18	120,000	-	-	16,137	-	136,137
Jonathan Fearn	FY19	115,000	-	-	11,426	13,800	140,226
	FY18	101,500	51,384	-	10,013	12,180	175,077
Non-executive Directors							
Jeremy Sharman	FY19	30,000	-	-	-	-	30,000
	FY18	30,000	-	-	-	-	30,000
Charlie Caminada	FY19	30,000	-	-	-	-	30,000
	FY18	30,000	-	-	-	-	30,000
Malcolm Collins	FY19	20,000	-	-	-	-	20,000
	FY18	20,000	-	-	-	-	20,000
Total	FY19	759,792	-	-	95,841	37,175	892,808
	FY18	757,500	260,052	23,413	80,248	36,900	1,158,113

(1) Nick Davis resigned as director on 30th August 2019.

Remuneration Report **CONTINUED**

Long Term Incentive Plan (LTIP)

All future vestments of the LTIP scheme to Nick Davis were cancelled upon his resignation from Shoe Zone plc as a Director.

The Remuneration Committee has also completed a review into the effectiveness of the LTIP scheme against its original objectives. The outcome of this review has been to end the LTIP scheme for Jonathan Fearn and to reward performance as a cash bonus alone.

As a result of this, all shares owed to Jonathan Fearn for previous years' performance were vested in November 2019. In addition, the Company have awarded Jonathan a net amount of 10,000 shares in compensation for the termination of the Shoe Zone LTIP scheme. These shares will also be vested in November 2019.

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 upcoming year are set out below:

	£
Anthony Smith	350,000
Charles Smith (1)	224,000
Jonathan Fearn	127,500

(1) Now contracted for 4 days per 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 6 months for Jonathan Fearn. Other fixed elements of the Executive Directors' remuneration comprise a company car provision, life assurance and private medical insurance. Jonathan Fearn is entitled to a Pension Contribution of 12% of basic salary.

The Company may elect to terminate the employment of each Executive Director by making a payment in lieu of notice equal to their basic salary payable in monthly instalments. Each of the Executive Directors has agreed to post-termination restrictions in order to protect confidential information, trade secrets and business connections. These restrictions last for 9 months.

Remuneration Report **CONTINUED**

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: 7 January 2020

DIRECTORS' REPORT FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

The Directors present their Annual Report and audited financial statements of the Company and the Group for the 53 weeks ended 5 October 2019.

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 stores 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 market of the London stock exchange.

Share Capital

Details of the share capital of the company are shown in note 20 of the financial statements. The Company's share capital consists of one class of ordinary shares. As at 5 October 2019 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 7 March 2019, 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 2020 AGM, shareholders will be asked to renew this authority for a further year.

Directors

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

Anthony Smith
Charles Smith
Jonathan Fearn
Jeremy Sharman
Charlie Caminada
Malcolm Collins



DIRECTORS' REPORT FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

Directors' Interests

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

Directors' Indemnities

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

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

Employees

The Group employed 3,550 (29 September 2018: 3,489) 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 sixth AGM will be held on Thursday, 5 March 2020 at 10.00 a.m. at the Company's registered office at Haremead Business Centre, Humberstone Road, Leicester, Leicestershire LE1 2LH. The Notice of AGM appears on pages 110 to 118.

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

DIRECTORS' REPORT FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

Final Dividend (resolution 2)

The Directors are proposing a final dividend of 8.0p per ordinary share, amounting to a final dividend of £4m, which is subject to approval by the shareholders at the AGM.

Re-election of Directors (resolutions 3 to 8)

The UK Corporate Governance Code recommends that directors should be subject to annual re-election by shareholders. In line with the Company's intention to apply certain principles of the UK Corporate Governance Code, each Director will stand for re-election at the AGM. Biographical details of each Director appear on pages 15 and 16. 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 11)

The Company is prohibited under the Companies Act 2006 from making donations to EU political parties or organisations or to independent election candidates in the EU of over £5,000 a year without shareholder approval. The Companies Act 2006 uses very broad definitions of political donations and expenditure which may extend to normal business activities which might not be thought of as political expenditure in the more usual sense. Activities which could be caught include representing the Company in the business community or at special interest groups which the Company may wish to support. In addition, the sponsorship of industry forums, the funding of seminars and other functions to which politicians are invited may also be caught. The Company is therefore proposing this resolution to ensure that it does not inadvertently breach the rules whilst carrying out its normal business activities.

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

Authority to allot shares (resolution 12)

By law, the Directors are not permitted to allot new shares (or to grant rights over shares) unless authorised to do so by shareholders. Resolution 12 seeks shareholder authority to allow the Directors to allot shares having an aggregate nominal value of £166,666 representing approximately a third of the Company's issued share capital on 7 January 2020. 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 7 January 2020).

DIRECTORS' REPORT

FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

Disapplication of pre-emption rights (resolutions 13 and 14)

Resolutions 13 and 14 concern the disapplication of pre-emption rights. Under the Companies Act 2006, all shareholders are entitled to participate on a pre-emptive basis in all issues of shares for cash, unless shareholders have authorised the Directors otherwise.

Paragraph (a) of resolution 13 gives the Directors authority to make arrangements dealing with certain legal, regulatory and practical matters in connection with a pre-emptive issue of shares. Paragraph (b) of resolution 13 gives the Directors the necessary authority to either allot shares or sell shares held in treasury for cash on a non pre-emptive basis up to an aggregate nominal amount of £25,000 (being 2,500,000 shares). This is equivalent to 5% of the issued share capital of the Company on 7 January 2020. This resolution also disapplies statutory pre-emption rights to the extent necessary to facilitate rights issues.

Resolution 14 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 7 January 2020) for cash where that allotment is in connection with an acquisition or specified capital investment (as described in the Pre-emption Group Principles) which is announced at the same time as the allotment, or which has taken place in the preceding six-month period and is disclosed in the announcement of that allotment.

The Board does not intend to allot shares for cash on a non-pre-emptive basis above 7.5% of the total issued share capital of the Company over a rolling three-year period without consulting shareholders first.

The Directors consider that it is appropriate for these authorities to be granted to preserve maximum flexibility for the future. However, the Directors currently have no plans to exercise these powers. The authorities sought will apply until the conclusion of the next AGM of the Company to be held in 2021 or 31 March 2021, whichever is earlier.

DIRECTORS' REPORT FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

Authorisation for the Company to purchase its own shares (Resolution 15)

Resolution 15 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 15 is passed, the Company will be authorised to purchase up to a maximum of 5,000,000 ordinary shares, representing approximately 10% of the Company's issued ordinary share capital as at 7 January 2020. Resolution 15 also sets out the minimum and maximum price that the Company may pay for purchases of its ordinary shares.

If Resolution 15 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 2021 or 31 March 2021, 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, with a view to using any such shares held in treasury for future distributions to employees.

Change to the Company's articles of association (Resolution 16)

As shareholders will be aware, Charles Smith has been the Company's interim Chairman since August 2019. Subject to discussions with the major shareholders, it is proposed that Charles Smith be appointed as the Company's Chairman on a permanent basis.

In his role, Charles Smith will act as chairman of each of the Company's Board meetings. The Company's current articles of association provide that decisions of the Company's board of directors are taken by way of majority and in the event that the votes cast by directors at a board meeting are tied, the chairman of that meeting will have a casting vote (which can be used at his discretion).

Following Charles Smith's permanent engagement as Chairman, the board will have three executive and three non-executive members. In the interests of good corporate governance, the board believes that the casting vote in any board decision should be exercised by the most senior Non-executive Director present rather than Charles Smith (which is expected to be Jeremy Sharman as the Deputy Chairman). Accordingly, a change is proposed to the Company's articles of association. No other changes are proposed to the Company's articles.

DIRECTORS' REPORT FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

Form of proxy

Please note you will not receive a form of proxy for the March 2020 AGM in the post. You may vote online which you can do at www.signalshares.com. To register you will need your Investor Code, which can be found on your share certificate. You will still be able to vote in person at the AGM and using a proxy. For shares held through CREST, proxy appointments may be submitted via the CREST proxy voting system. Otherwise, you may request a hard copy proxy form directly from our Registrars, Link Asset Services, on 0371 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 between 9.00 a.m. – 5.30 p.m. Monday to Friday excluding public holidays in England and Wales.

Voting online or appointing a proxy will not preclude a shareholder from attending the AGM and voting in person.

All online votes or proxy appointments should be submitted so as to be received no later than 10.00 a.m. on 3 March 2020.

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

Cooper Parry Group Limited have issued their independent report on these financial statements to the shareholders of Shoe Zone plc. The report can be found on page 48 - 53.

The auditor, Cooper Parry Group Limited 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.

DIRECTORS' REPORT FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

The Group does not make significant use of derivative financial instruments but does use forward currency contracts when management consider this to be appropriate. External expert advice is sought from the Group's bankers and relevant advisors 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 £3.0m Revolving Credit Facility ('RCF'), which matures in April 2020. 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 5 October 2019 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

DIRECTORS' REPORT FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the Directors. The Directors' responsibility also extends to the 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 he is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- He has taken all reasonable steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor are aware of that information.

Approved by the Board and signed on its behalf:

Anthony Smith
Chief Executive
Date: 7 January 2020

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 53 weeks ended 5 October 2019 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 5 October 2019 and of the Group's profit for the 53 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 and Parent Company 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHOE ZONE PLC

CONTINUED

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 ability 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.

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.

Carrying value and impairment of Property, Plant and Equipment in relation to the store portfolio

Matter

The Group has a significant property, plant and equipment balance in relation to the portfolio of stores it operates. The Group's assessment of the carrying value of assets relating to each store requires significant judgement, in particular regarding cash flows, growth rates and discount rates.

Response

- We obtained information on performance by store in order to assess for indication of impairment.
- We considered historical trading performance by comparing recent growth rates of both revenue and operating profit by store.
- We assessed the appropriateness of the assumptions concerning growth rates and inputs to the discount rates against latest market expectations.
- We performed sensitivity analysis to determine whether an impairment would be required if costs increase at a higher than forecast rate.

ComfySteps



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHOE ZONE PLC

CONTINUED

Our application of materiality

We apply the concept of materiality in planning and performing our audit, in determining the nature, timing and extent of our audit procedures, in evaluating the effect of any identified misstatements, and in forming our audit opinion.

The materiality for the Group financial statements as a whole was set at £520,000. This has been determined with reference to the benchmark of the Group's Profit before Tax which we consider to be an appropriate measure for a group of companies such as these. Materiality represents 7.5% of Group Profit before Tax.

The materiality for the Parent Company financial statements as a whole was set at £12,000. This has been determined with reference to the benchmark of the Parent Company's Loss before Tax after payments of dividends, which we consider to be an appropriate measure for a Parent Company such as this. Materiality represents 7.5% of the Parent Company Loss before Tax after payments of dividends.

An overview of the scope of our audit

We adopted a risk based audit approach. We gained a detailed understanding of the Group's business, the environment it operates in and the risks it faces.

The key elements of our audit approach were as follows:

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. In performing our testing we utilised performance materiality of £442,000, equating to 85% of materiality.

In order to address the matters described in the Key audit matters section we performed focused audit procedures over these areas, including reference to external market data and publicly available market information in relation to assumptions used.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHOE ZONE PLC

CONTINUED

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 pages 46 - 47, 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

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.

Use of our report

This report is made solely to the Parent 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 Parent 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 parent company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Katharine Warrington (Senior Statutory Auditor)
For and on behalf of Cooper Parry Group Limited
Chartered Accountants and Statutory Auditor
Sky View
Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA

Date: 7 January 2020

CONSOLIDATED INCOME STATEMENT FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

	Note	Underlying Profit 53 weeks ended 5 October 2019 £'000	Exceptional Items 53 weeks ended 5 October 2019 £'000	Statutory Profit 53 weeks ended 5 October 2019 £'000	52 weeks ended 29 September 2018 £'000
Revenue	4, 8	162,047	-	162,047	160,615
Cost of sales	5	(134,023)	(2,942)	(136,965)	(130,086)
Gross profit		28,024	(2,942)	25,082	30,529
Administration expenses	5	(12,081)	-	(12,081)	(13,070)
Distribution costs	5	(6,154)	-	(6,154)	(6,048)
Profit from operations		9,789	(2,942)	6,847	11,411
Finance income	9	44		44	31
Finance expense	9	(192)		(192)	(187)
Profit before taxation		9,641	(2,942)	6,699	11,255
Taxation	10	(1,418)	433	(985)	(1,738)
Profit attributable to equity holders of the parent		8,223	(2,509)	5,714	9,517
Earnings per Share – basic and diluted	26	16.45p	(5.02p)	11.43p	19.03p

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

	Note	53 weeks ended 5 October 2019	52 weeks ended 29 September 2018
		£'000	£'000
Profit for the period		5,714	9,517
Items that will not be reclassified subsequently to the income statement			
Remeasurement (losses) / gains on defined benefit pension scheme	23	(4,177)	295
Movement in deferred tax on pension schemes	23	707	(50)
Items that will be reclassified subsequently to the income statement			
Fair value movements on cash flow hedges		(826)	232
Cash flow hedges recognised in inventories		1,474	2,958
Tax on cash flow hedges		(126)	(548)
Other comprehensive (expense) / income for the period		(2,948)	2,887
Total comprehensive income for the period attributable to equity holders of the parent		2,766	12,404

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 5 OCTOBER 2019

	Note	53 weeks ended 5 October 2019	52 weeks ended 29 September 2018
		£'000	£'000
Assets			
Non-current assets			
Property, plant and equipment	12	22,143	21,103
Deferred tax asset	19	1,677	703
Total non-current assets		23,820	21,806
Current assets			
Inventories	13	28,511	27,804
Trade and other receivables	14	6,078	6,229
Derivative financial assets	15	2,726	1,383
Cash and cash equivalents	24	11,417	15,682
Total current assets		48,732	51,098
Total assets		72,552	72,904
Current liabilities			
Trade and other payables	16	(27,429)	(25,016)
Provisions	17	(715)	(689)
Corporation tax liability		(440)	(550)
Total current liabilities		(28,564)	(26,255)
Non-current liabilities			
Trade and other payables	16	(2,432)	(1,649)
Provisions	17	(370)	(290)
Employee benefit liability	23	(9,746)	(6,296)
Total non-current liabilities		(12,538)	(8,235)
Total liabilities		(41,122)	(34,490)
Net assets		31,430	38,414
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		1,645	1,123
Retained earnings		26,623	34,129
Total equity and reserves		31,430	38,414

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: 7 January 2020

Financials

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

	Share capital	Merger reserve	Cash flow hedge reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
At 30 September 2017	500	2,662	(1,520)	29,518	31,160
Profit for the period	-	-	-	9,517	9,517
Defined benefit pension movements	-	-	-	295	295
Cash flow hedge movements	-	-	3,191	-	3,191
Deferred tax on other comprehensive income	-	-	(548)	(51)	(599)
Total comprehensive income for the period	-	-	2,643	9,761	12,404
Dividends paid during the year (note 11)	-	-	-	(5,150)	(5,150)
Total contributions by and distributions to owners	-	-	-	(5,150)	(5,150)
At 29 September 2018	500	2,662	1,123	34,129	38,414
Profit for the period	-	-	-	5,714	5,714
Defined benefit pension movements	-	-	-	(4,177)	(4,177)
Cash flow hedge movements	-	-	648	-	648
Deferred tax on other comprehensive income	-	-	(126)	707	581
Total comprehensive income for the period	-	-	522	2,244	2,766
Dividends paid during the year (note 11)	-	-	-	(9,750)	(9,750)
Total contributions by and distributions to owners	-	-	-	(9,750)	(9,750)
At 5 October 2019	500	2,662	1,645	26,623	31,430

Share capital comprises the 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 53 WEEKS ENDED 5 OCTOBER 2019

	Note	53 weeks ended 5 October 2019	52 weeks ended 29 September 2018
		£'000	£'000
Operating activities			
Profit after taxation		5,714	9,517
Corporation tax		985	1,738
Finance income		(44)	(31)
Finance expense		192	187
Depreciation of property, plant and equipment		3,258	3,097
Fixed asset impairment and loss on disposal of property, plant and equipment		3,034	430
Pension contributions paid		(890)	(704)
		12,249	14,234
Decrease / (increase) in trade and other receivables		157	(146)
Decrease / (increase) in foreign exchange contract		30	(709)
(Increase) / decrease in inventories		(1,451)	182
Increase in trade and other payables		3,150	531
Increase in provisions		83	859
		1,969	717
Cash generated from operations		14,218	14,951
Income taxes paid		(1,488)	(2,096)
Net cash flows from operating activities		12,730	12,855
Investing activities			
Purchase of property, plant and equipment		(7,290)	(5,094)
Sale of property, plant and equipment		-	1,254
Interest received		44	31
Net cash used in investing activities		(7,246)	(3,809)
Financing activities			
Dividends paid during the year	11	(9,750)	(5,150)
Net cash used in financing activities		(9,750)	(5,150)
Net increase in cash and cash equivalents		(4,266)	3,896
Cash and cash equivalents at beginning of period		15,683	11,786
Cash and cash equivalents at end of period	24	11,417	15,682

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

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 08961190.

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 53 weeks ended 5 October 2019.

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 5 October 2019. 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

1. ACCOUNTING POLICIES

CONTINUED

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

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

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

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

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.

Adoption of new accounting standards

For the financial period ended 5 October 2019 the group has adopted IFRS 15 'revenue from contracts with customers' and IFRS 9 'financial instruments' for the first time. The nature and effect of these changes are disclosed below. In both cases, there was no material impact on profit after tax or retained earnings on the adoption of IFRS 15 and IFRS 9

IFRS 15:

IFRS 15 supersedes IAS 8 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted IFRS 15 using the fully retrospective method of adoption. There was no impact on profit for the period or retained earnings on the adoption of IFRS 15.

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

1. ACCOUNTING POLICIES

CONTINUED

IFRS 9:

IFRS 9 replaces IAS 39 'Financial Instruments: recognition and measurement' for annual periods beginning on or after 1 January 2018, which covers the accounting for financial instruments; classification and measurement, impairment and hedge accounting.

The Group applied IFRS retrospectively. The impact of the application of IFRS 9 was not material to the net assets or profit for the period or prior period.

Accounting standards not yet adopted

IFRS 16 "Leases":

IFRS 16 is effective for all accounting periods beginning on or after 1 January 2019. For Shoezone the first reported accounting period under IFRS 16 will be the 2019/20 financial year.

On the adoption of IFRS 16, lease agreements will give rise to both a right of use asset and a lease liability for future lease payables. The right of use asset will be depreciated on a straight-line basis over the life of the lease. Interest will be recognised on the lease liability, resulting in a higher interest expense in the earlier years of the lease term. The total expense recognised in the Income Statement over the life of the lease will be unaffected by the new standard. However, IFRS 16 will result in the timing of lease expense recognition being accelerated for leases which would be currently accounted for as operating leases.

The Group has a large portfolio of leased properties and other equipment, including stores and warehouses. The minimum lease commitment on these at the financial year end is disclosed in Note 21: £49,958,000.

The adoption of IFRS 16 has no effect on how the business is run, nor on the overall cash flows for the Group.

Transition

As previously disclosed, the Group has decided to adopt the modified retrospective transition approach, not restating prior year comparatives. The Group will apply the practical expedient to grandfather the definition of a lease on transition and apply the recognition exemption for both short term and low value assets.

Shoezone has established a working group to ensure we take all necessary steps to comply with the requirements of IFRS 16, reporting regularly to the Audit Committee. Significant work has been completed, including collection of relevant data, changed to IT systems and processes, and the determination of relevant accounting policies.

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

1. ACCOUNTING POLICIES

CONTINUED

At January 2018 the weighted average discount rate, based on incremental borrowing rates, across the Group lease portfolio was approximately 3%. The discount rate for each lease is dependent on lease start date and term.

Impact to financial statements

With regards to IFRS 16, at 5 October 2019 the Group holds non-cancellable operating lease commitments totalling £49,958,000. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for the leases; instead, certain information is disclosed as operating lease commitments in note 21. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability.

The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements and the directors are currently assessing its potential impact. A preliminary assessment indicates that the Group will recognise a right-of-use asset of £135,000,000 to £145,000,000 and a corresponding lease liability in the range of £60,000,000 to £70,000,000 in respect of leases held. The impact on the Income Statement is not expected to be material.

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.

Exceptional Items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

1. ACCOUNTING POLICIES

CONTINUED

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:

Freehold and long leasehold	50 years on a straight line basis
Short leasehold and 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.

Assets under construction

Whilst held under assets under construction, no depreciation is charged on the assets. Once the project is completed, the asset will be transferred to the correct fixed asset category.

Leased assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

1. ACCOUNTING POLICIES

CONTINUED

Impairment of non-financial assets

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

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

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

Inventories

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

Financial assets

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

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.

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

Loans and receivables

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

1. ACCOUNTING POLICIES

CONTINUED

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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

1. ACCOUNTING POLICIES

CONTINUED

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

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

Deferred taxation

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

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

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

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

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

Provisions

Provision for dilapidations is made at the best estimate of the expenditure required to settle the obligation at the reporting date, where material, discounted at the pre-tax rate reflecting current market assessments of the time value of money and risks specific to the liability. A dilapidation provision is only recognised on those properties which are likely to be exited. Where such property is identified the full costs expected are recognised. This provision relates to the liability of wear and tear incurred on the leasehold properties and does not include any removal of shop refits as experience indicates that liabilities do not arise for removal of shop refits.

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

1. ACCOUNTING POLICIES

CONTINUED

Foreign exchange

Transactions entered into the Group entities in a currency other than the functional currency are recorded at the average 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 the income statement, 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 curtailments are recognised immediately in profit or loss.

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



NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

1. ACCOUNTING POLICIES

CONTINUED

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 and special 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

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, see note 12.

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

Judgements

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.

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; and

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 available, 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 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

3. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

CONTINUED

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

	53 weeks ended 5 October 2019	52 weeks ended 29 September 2018
	£'000	£'000
Financial assets		
Financial assets at amortised cost		
Trade receivables	396	448
Other receivables	421	220
Cash and cash equivalents	11,417	15,682
Total receivables and cash	12,234	16,350
Financial assets at fair value through profit or loss	744	30
Financial assets at fair value through other comprehensive income	1,982	1,353
Total financial assets	14,960	17,733

	53 weeks ended 5 October 2019	52 weeks ended 29 September 2018
	£'000	£'000
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	24,119	22,584
Financial liabilities at fair value through other comprehensive income		
Financial liabilities at fair value through profit and loss	-	-
Financial liabilities at fair value through other comprehensive income	-	-
Total financial liabilities	24,119	22,584

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

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 5 October 2019 and 29 September 2018.

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 5 October 2019 the Group has trade receivables of £396,000 (2018: £448,000).

Approximately 42% of the balance is with longstanding prepaid gift card providers. The remainder is spread over a number of smaller suppliers with the largest balance below £170,000.

The Directors are unaware of any factors affecting the recoverability of outstanding balances at 5 October 2019 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 service providers and the Board monitors its exposure to counterparty risk on an on-going 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 53 WEEKS ENDED 5 OCTOBER 2019

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 5 October 2019	£'000	£'000	£'000	£'000	£'000
Trade and other payables	24,119				
Total financial liabilities	24,119				

	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 29 September 2018	£'000	£'000	£'000	£'000	£'000
Trade and other payables	22,584				
Total	22,584				

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

3. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

CONTINUED

Foreign exchange risk

The Group is predominantly exposed to foreign exchange risk on purchases from major suppliers based in the Far East. Purchases are made on a central basis and the risk is mitigated through using forward foreign currency exchange contracts.

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

Foreign Currency: Sensitivity Analysis

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

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

Positive figures represent an increase in profit or equity.

	Income Statement		Equity	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Sterling strengthens by 10%	692	659	4,412	4,046
Sterling weakens by 10%	(845)	(805)	(5,393)	(4,945)

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

3. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

CONTINUED

Year end exchange rates applied in the above analysis are US Dollar 1.23 (2018: 1.31). Strengthening and weakening of Sterling may not produce symmetrical results depending on the proportion and nature of foreign exchange derivatives which cease to qualify for hedge accounting.

Interest rate risk

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

Capital management

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

The Group's capital is made up of share capital, merger reserve and retained earnings totalling £31,430,000 (29 September 2018: £38,414,000).

The Group's objectives when maintaining capital are:

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

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

4. REVENUE

53 weeks ended
5 October 2019

52 weeks ended
29 September 2018

£'000

£'000

Revenue arises from:

Sales of goods

162,047

160,615

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

5. EXPENSES BY NATURE

	53 weeks ended 5 October 2019	52 weeks ended 29 September 2018
	£'000	£'000
Inventories recognised as an expense	52,198	52,789
Carriage charges on purchases	2,687	2,580
Duty charges on purchases	5,743	4,730
Employee benefit expenses	39,488	38,016
Depreciation and impairment charge of property, plant and equipment	6,199	3,530
Depreciation held on finance lease	2	-
Operating lease expense		
Other	626	608
Land and buildings	21,364	20,407
Loss on disposal of property, plant and equipment	92	88
Administration expenses	19,619	18,744
(Gain) / loss on Foreign Exchange	(385)	75
Other costs	7,567	7,637
	155,200	149,204

Exceptional costs relate to a movement in the valuation or freehold properties, see Note 12.

6. AUDITOR'S REMUNERATION

	53 weeks ended 5 October 2019	52 weeks ended 29 September 2018
	£'000	£'000
The audit of the parent company	10	15
Audit of subsidiary financial statements pursuant to legislation	48	40
Other services	5	-
	63	55

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

7. EMPLOYEE BENEFIT EXPENSES

	53 weeks ended 5 October 2019	52 weeks ended 29 September 2018
	£'000	£'000
Employee benefit expenses (including Directors) comprise:		
Wages and salaries	36,363	35,223
Social security costs	2,061	1,836
Other pension costs	1,064	957
	39,488	38,016

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

	53 weeks ended 5 October 2019	52 weeks ended 29 September 2018
	No.	No.
Sales and distribution	3,351	3,350
Directors	7	7
Administration	161	151
	3,519	3,508

The average monthly number of full time equivalent employees during the period was 1,737 (2018: 1,718).

Shoe Zone plc does not employ any members of staff and has no staff costs during the period (2018: Nil).

	53 weeks ended 5 October 2019	52 weeks ended 29 September 2018
	£'000	£'000
Directors' remuneration, included in staff costs:		
Salaries and benefits	856	1,098
Pension contributions	37	37
	893	1,135
Information regarding the highest paid Director is as follows:		
Salary and benefits	303	425
Pension contribution	-	15
	303	440

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

8. SEGMENTAL INFORMATION

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

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

	53 weeks ended 5 October 2019	52 weeks ended 29 September 2018
	£'000	£'000
External revenue by location of customers:		
United Kingdom	158,209	156,165
Republic of Ireland	3,517	4,220
Other	321	230
	162,047	160,615

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

	53 weeks ended 5 October 2019	52 weeks ended 29 September 2018
	£'000	£'000
Non-current assets by location:		
United Kingdom	22,124	21,091
Republic of Ireland	19	12
	22,143	21,103

The group has only one operating and reporting segment which reflects the group's management and reporting structure as viewed by the board of directors.

The deferred tax asset of £1,677,000 (2018: £703,000) is unallocated.

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

9. FINANCE INCOME AND EXPENSES

	53 weeks ended 5 October 2019	52 weeks ended 29 September 2018
	£'000	£'000
Finance income		
Interest receivable	44	31
Total finance income	44	31
Finance expense		
Net interest expense on defined benefit pension scheme	(172)	(187)
Other	(20)	-
Total finance expense	(192)	(187)

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

10. INCOME TAX

	53 weeks ended 5 October 2019	52 weeks ended 29 September 2018
	£'000	£'000
Current tax expense		
Current tax on profits for the period	1,442	1,995
Adjustment for (over) / under provision in prior periods	(64)	183
Total current tax expense	1,378	2,178
Deferred tax expense		
Adjustment for (over) provision in prior periods	(348)	(456)
Origination and reversal of temporary differences (note 19)	(45)	16
Tax charge on profit on ordinary activities	985	1,738

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 is as follows:

	53 weeks ended 5 October 2019	52 weeks ended 29 September 2018
	£'000	£'000
Profit for the period	5,714	9,517
Income tax expense	985	1,738
Profit before income taxes	6,699	11,255
Expected tax charge based on corporation tax rate of 19% (29 September 2018: 19%)	1,273	2,138
Expenses not deductible for tax purposes	119	(125)
Effective change of rate	6	(2)
Adjustments to tax charge in respect of previous period	(413)	(273)
Total tax expense	985	1,738

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%. 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.

Financials

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

11. DIVIDENDS

	53 weeks ended 5 October 2019	52 weeks ended 29 September 2018
	£'000	£'000
Dividends paid during the year at 19.5p (2018: 10.3p) per share	9,750	5,150

A final dividend of 8.0p (2018: 8.0p) per share is proposed for shareholders on the register on 28 February 2020 payable on 18 March 2020 following approval at the Annual General Meeting on 5 March 2020.

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold and long leasehold properties	Short leasehold and leasehold improvements	Motor vehicles	Fixtures and fittings	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 30 September 2017	10,153	17,730	34	32,544	125	60,586
Additions	-	1,646	-	3,448	-	5,094
Disposals	(1,384)	(522)	-	(1,111)	-	(3,017)
Impairments	-	(315)	-	(337)	-	(652)
Assets under construction	-	-	-	125	(125)	-
At 29 September 2018	8,769	18,539	34	34,669	-	62,011
Additions	318	2,570	80	4,004	360	7,332
Disposals	-	(324)	-	(1,203)	-	(1,527)
Impairments	(2,838)	(105)	-	-	-	(2,943)
Assets under construction	-	-	-	-	-	-
At 5 October 2019	6,249	20,680	114	37,470	360	64,873
Depreciation						
At 30 September 2017	1,245	13,265	12	25,281	-	39,803
Charge for the period	52	1,095	6	1,938	-	3,091
Disposals	(231)	(494)	-	(1,043)	-	(1,768)
Impairments	-	(134)	-	(84)	-	(218)
At 29 September 2018	1,066	13,732	18	26,092	-	40,908
Charge for the period	57	1,098	7	2,096	-	3,258
Disposals	-	(318)	-	(1,118)	-	(1,436)
Impairments	-	-	-	-	-	-
At 5 October 2019	1,123	14,512	25	27,070	-	42,730
Net book value						
At 5 October 2019	5,126	6,168	89	10,400	360	22,143
At 29 September 2018	7,703	4,807	16	8,577	-	21,103
At 30 September 2017	8,908	4,465	22	7,263	125	20,783

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

13. INVENTORIES

	5 October 2019	29 September 2018
	£'000	£'000
Goods for resale	27,838	27,300
Shop fitting materials and other consumables	673	504
	28,511	27,804

14. TRADE AND OTHER RECEIVABLES

	5 October 2019	29 September 2018
	£'000	£'000
Trade receivables	396	448
Prepayments	5,261	5,573
Other receivables	421	208
	6,078	6,229

There are no impairment provisions or receivables past due in either year.

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:

	5 October 2019	29 September 2018
	£'000	£'000
Derivative financial assets		
Derivatives not designated as hedging instruments	744	30
Derivatives designated as hedging instruments	1,982	1,353
	2,726	1,383

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 5 October 2019 were \$59,700,000 (29 September 2018: \$58,300,000). 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 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

16. TRADE AND OTHER PAYABLES

	5 October 2019	29 September 2018
	£'000	£'000
Current		
Trade payables	12,335	10,549
Social security and other taxes	2,097	1,396
Other payables and finance lease liability	708	236
Accruals	12,289	12,835
	27,429	25,016
	5 October 2019	29 September 2018
	£'000	£'000
Non-current		
Accruals	2,432	1,649
	2,432	1,649

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

17. PROVISIONS

	Customer Returns	Dilapidations	Total
	£'000	£'000	£'000
As at 29 September 2018	38	941	979
Additions	41	612	653
Amounts utilised	(38)	(254)	(292)
Amounts released	-	(255)	(255)
As at 5 October 2019	41	1,044	1,085

The provisions are aged as follows:

	Customer Returns	Dilapidations	Total
	£'000	£'000	£'000
Current	41	674	715
Non-current	-	370	370
As at 5 October 2019	41	1,044	1,085

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

Shoe Zone plc and its subsidiary undertakings have given a duty deferment guarantee in favour of HM Revenue and Customs amounting to £800,000 (29 September 2018: £800,000).

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

19. DEFERRED TAX

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17% (29 September 2018: 17%).

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

	5 October 2019	29 September 2018
	£'000	£'000
At beginning of the period	703	861
Recognised in income statement:		
Tax expense (note 10)	393	440
Recognised in other comprehensive income:		
Actuarial gain / loss on defined benefit pension schemes	707	(50)
Cashflow hedge	(126)	(548)
At end of the period	1,677	703

The deferred tax has arisen due to the following:

	5 October 2019	29 September 2018
	£'000	£'000
Accelerated capital allowances	1,279	1,289
Ineligible buildings	(920)	(1,426)
Short term timing differences	(337)	(230)
Defined benefit pension scheme	1,655	1,070
	1,677	703

The Group has an unrecognised deferred tax asset £885,000 as at 5 October 2019 (29 September 2018: £885,000).

There are estimated losses available to offset against future capital taxable profits amounting to approximately £5,207,000 (29 September 2018: £5,207,000).

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

20. SHARE CAPITAL

	5 October 2019	29 September 2018
	£'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
	5 October 2019	29 September 2018	5 October 2019	29 September 2018
	£'000	£'000	£'000	£'000
Not later than one year	17,469	18,283	589	655
Later than one year and not later than five years	30,421	35,223	523	387
Later than five years	2,068	4,908	-	-
	49,958	58,414	1,112	1,042

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

Finance leases

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.

	Motor Vehicle	Motor Vehicle
	5 October 2019	29 September 2018
	£'000	£'000
Not later than one year	11	-
Later than one year and not later than five years	45	-
Later than five years	-	-
	56	-

Finance leases are secured on the assets to which they relate to. The net book value of assets held under finance lease is £78,000 (2018: Nil).

22. CAPITAL COMMITMENTS

	5 October 2019	29 September 2018
	£'000	£'000
Contracted for but not provided	28	205

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

23. PENSION COSTS

Defined contribution scheme

The Group operates a defined contribution pension scheme namely Shoe Zone Worksave Pension Plan contributions amounted to £1,064,000 (29 September 2018: £957,000).

Defined benefit scheme

The Group operates two other pension schemes in the UK: the Shoe Zone Pension Scheme and the Shoefayre Limited Pension and Life Assurance Scheme. The Shoe Zone Pension Scheme provided benefits on a defined benefit basis for service up to 30 September 2001. For service after that date, benefits are provided on a defined contribution basis. The Shoefayre Limited Pension and Life Assurance Scheme provided benefits on a defined benefit basis but was closed to future accrual on 30 June 2009. The scheme was acquired on the purchase of Shoefayre Limited on 19 September 2007. The assets of all schemes are held in separate trustee administered funds. The pension contributions to the Shoe Zone Pension Scheme defined contribution element was £1,300 (29 September 2018: £2,000).

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

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

Amounts recognised in the balance sheet at 5 October 2019

	5 October 2019	29 September 2018
	£'000	£'000
Fair value of assets	86,683	77,408
Present value of funded obligations	(92,232)	(81,423)
Impact of asset ceiling	(4,187)	(2,281)
Deficit	(9,736)	(6,296)

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

23. PENSIONS

CONTINUED

Amounts recognised in other comprehensive income

	5 October 2019	29 September 2018
	£'000	£'000
Return on plan assets	9,311	14
Actuarial gains arising from changes in:		
Demographic assumptions	(206)	(379)
Financial assumptions	(14,005)	1,305
Experience losses	2,561	-
Total actuarial gain	(11,650)	926
Impact of asset ceiling	(1,838)	(645)
Deferred tax on employee benefit scheme	707	(50)
Total amount recognised in other comprehensive income	(3,470)	245

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

23. PENSIONS

CONTINUED

The following figures are based on a full actuarial valuation performed in April 2016 and March 2016 for the Shoe Zone and Shoefayre schemes respectively which was carried out by a qualified independent actuary. This actuarial valuation has been updated to 5 October 2019 for the purpose of calculating the pension deficit and disclosures in the current period.

Post retirement mortality

	5 October 2019	29 September 2018
Life expectancy	Years	Years
Male currently aged 45	89	90
Female currently aged 45	90	92
Male currently aged 65	87	88
Female currently aged 65	89	90

Financial assumptions

	5 October 2019	29 September 2018
	%	%
Deferred pension revaluation	2.55	2.55
Pension increases	3.40	3.40
Discount rate	1.80	2.85
Consumer Price Index	2.55	2.55
Retail Price Index	3.55	3.55

The weighted average duration of the defined benefit obligation for the Shoe Zone scheme at 5 October 2019 is 17 years (29 September 2018: 17 years).

The weighted average duration of the defined benefit obligation for the Shoefayre scheme at 5 October 2019 is 19 years (29 September 2018: 19 years).

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

23. PENSIONS

CONTINUED

Defined benefit scheme - Shoe Zone Pension Scheme Assets

Assets

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

Asset category	5 October 2019	29 September 2018
Equities	16%	21%
Property	9%	10%
Gilts/bonds	16%	18%
Cash	0%	1%
Diversified Growth Funds	35%	40%
Liability Driven Investment	24%	10%
	100%	100%

The actual return on the Scheme's assets net of expenses over the period to the review date was a gain of £7,253,000 (29 September 2018: £1,352,000).

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 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

23. PENSIONS

CONTINUED

Amounts recognised in the income statement over the period

	5 October 2019	29 September 2018
	£'000	£'000
Interest cost	(1,284)	(1,252)
Expected return on assets	1,352	1,297
Interest on asset restriction	(68)	(45)
	-	-

Amounts recognised in the statement of financial position

	5 October 2019	29 September 2018
	£'000	£'000
Fair value of assets	52,822	47,372
Present value of funded obligations	(48,635)	(45,091)
Surplus	4,187	2,281
Impact of asset ceiling	(4,187)	(2,281)
Net defined benefit liability	-	-



NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

23. PENSIONS

CONTINUED

Defined benefit scheme - Shoe Zone Pension Scheme (continued)

Amounts recognised in other comprehensive income

	5 October 2019	29 September 2018
	£'000	£'000
Return on plan assets	5,901	55
Actuarial (loss) / gains arising from changes in:		
Demographic assumptions	1,378	(164)
Financial assumptions	(7,206)	645
Total actuarial (loss) / gain	(5,828)	481
Changes in effect of asset ceiling	(1,838)	(645)
Deferred tax on employee benefit scheme	19	19
Total amount recognised in other comprehensive expense	(1,746)	(90)

Reconciliation of assets and defined benefit obligation

The change in assets over the period was:

	5 October 2019	29 September 2018
	£'000	£'000
Fair value of assets at the beginning of the period	47,381	48,286
Expected return on assets	1,352	1,297
Company contributions	102	109
Benefits paid	(1,914)	(2,366)
Actuarial gain	5,901	55
Fair value of assets at the end of the period	52,822	47,381

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

23. PENSIONS

CONTINUED

Defined benefit scheme - Shoe Zone Pension Scheme (continued)

The change in defined benefit obligation over the period was:

	5 October 2019	29 September 2018
	£'000	£'000
Defined benefit obligation at the beginning of the period	45,091	46,686
Interest cost	1,284	1,252
Benefits paid	(1,914)	(2,366)
Actuarial loss	4,174	(481)
Defined benefit obligation at the end of the period	48,635	45,091

During 2019 contributions of £111,000 were made. Discussions are continuing with the trustees of the pension scheme regarding finalisation of the 2019 actuarial valuations and recovery plans.

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%	+1%
Minus 0.50%	-1%
Life Expectancy	
Plus 1.0 years	+4%
Minus 1.0 years	-4%

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

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	5 October 2019	29 September 2018
Equities	19%	19%
Property	11%	13%
Gilts/bonds	9%	13%
Cash	0%	0%
Diversified Growth Funds	38%	39%
Liability Driven Investment	23%	16%
	100%	100%

The actual return on the Scheme's assets net of expenses over the period to the review date was a gain of £4,277,000 (29 September 2018: £771,000). 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

	5 October 2019	29 September 2018
	£'000	£'000
Fair value of assets	33,861	30,036
Present value of funded obligations	(43,597)	(36,332)
Net liability	(9,736)	(6,296)

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

23. PENSIONS

CONTINUED

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

Amounts recognised in other comprehensive income

	5 October 2019	29 September 2018
	£'000	£'000
Gain / (loss) on plan assets	3,410	(41)
Actuarial (loss) / gains arising from changes in:		
Demographic assumptions	(1,584)	(215)
Financial assumptions	(6,799)	660
Total actuarial (loss) / gain	(8,383)	445
Deferred tax on employee benefit scheme	688	(68)
Total amount recognised in other comprehensive income	(4,285)	336

Amounts recognised in the income statement over the period

	5 October 2019	29 September 2018
	£'000	£'000
Interest cost	(1,039)	(999)
Expected return on assets	867	812
	(172)	(187)

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

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:

	5 October 2019	29 September 2018
	£'000	£'000
Fair value of assets at the beginning of the period	30,036	29,779
Expected return on assets	867	812
Employer contributions	779	595
Benefits paid	(1,231)	(1,109)
Actuarial gain / (loss) on assets	3,410	(41)
Fair value of assets at the end of the period	33,861	30,036

The change in defined benefit obligation over the period was:

	5 October 2019	29 September 2018
	£'000	£'000
Defined benefit obligation at the beginning of the period	36,332	36,887
Interest cost	1,039	999
Benefits paid	(1,231)	(1,109)
Actuarial loss on obligation	7,457	(445)
Defined benefit obligation at the end of the period	43,597	36,332

During 2019 contributions of £779,000 were made. Discussions are continuing with the trustees of the pension scheme regarding finalisation of the 2019 actuarial valuations and recovery plans.

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

23. PENSIONS

CONTINUED

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

Sensitivity of the value placed on the liabilities:

Adjustments to assumptions	Approximate effect on liabilities
Discount rate	
Plus 0.50%	-8%
Minus 0.50%	+9%
Inflation	
Plus 0.50%	+4%
Minus 0.50%	-4%
Life Expectancy	
Plus 1.0 years	+4%
Minus 1.0 years	-4%

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

24. CASH AND CASH EQUIVALENTS

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

	5 October 2019	29 September 2018
	£'000	£'000
Cash at banks and in hand	11,417	15,682
Cash and cash equivalents	11,417	15,682

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

25. RELATED PARTY TRANSACTIONS

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

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

	53 weeks ended 5 October 2019	52 weeks ended 29 September 2018
	£'000	£'000
Rent paid to Zone Executive Pension Scheme	163	163
Contributions to the:		
Shoe Zone Worksave Pension Plan	1,064	957
Shoe Zone Pension Scheme	111	109
Shoefayre Limited Pension and Life Assurance Scheme	779	595
	2,117	1,824

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

	53 weeks ended 5 October 2019	52 weeks ended 29 September 2018
	£'000	£'000
Short term employee benefits	856	1,121
Post-employment benefit	37	37
Employers national insurance	168	120
	1,061	1,278

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 5 OCTOBER 2019 CONTINUED

26. EARNINGS PER SHARE

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

	53 weeks ended 5 October 2019	52 weeks ended 29 September 2018
	£'000	£'000
<hr/>		
Numerator		
Profit for the year and earnings used in basic and diluted EPS	5,714	9,517
	<hr/>	
	53 weeks ended 5 October 2019	52 weeks ended 29 September 2018
	No.	No.
<hr/>		
Denominator		
Weighted average number of shares used in basic and diluted EPS	50,000,000	50,000,000
	<hr/>	

27. ULTIMATE CONTROLLING PARTY

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

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 5 OCTOBER 2019

	Note	5 October 2019 £'000	29 September 2018 £'000
Fixed assets			
Investments	2	68,644	68,644
		68,644	68,644
Current assets			
Debtors	3	65	4
		65	4
Creditors: amounts falling due within one year	4	(1,571)	(1,311)
Net current liabilities		(1,506)	(1,307)
Net assets		67,138	67,337
Capital and reserves			
Called up share capital	5	500	500
Merger reserve	6	586	586
Profit and loss account	6	66,052	66,251
Total shareholders' funds		67,138	67,337

The company made a profit during the year of £9,551,000 (2018: £4,972,000).

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: 7 January 2020

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

	Share capital	Merger reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000
At 30 September 2017	500	586	66,429	67,515
Profit for the period			4,972	4,972
Total comprehensive income for the period			4,972	4,972
Dividends paid during the year			(5,150)	(5,150)
Total contributions by and distributions to owners			(5,150)	(5,150)
At 29 September 2018	500	586	66,251	67,337
Profit for the period			9,551	9,551
Total comprehensive income for the period			9,551	9,551
Dividends paid during the year (note 6)			(9,750)	(9,750)
Total contributions by and distributions to owners			(9,750)	(9,750)
At 5 October 2019	500	586	66,052	67,138

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 53 WEEKS ENDED 5 OCTOBER 2019

1. ACCOUNTING POLICIES

Basis of preparation

The Company's financial period is 53 weeks ended 5 October 2019. 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 £9,551,000 (29 September 2018: £4,972,000)

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 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

2. FIXED ASSET INVESTMENTS

	5 October 2019	29 September 2018
	£'000	£'000
Cost	70,586	70,586
Impairment of investment in Castle Acres Development Limited	(1,942)	(1,942)
Total	68,644	68,644

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 Zone Group Limited
Shoe Fayre Pension Trustees Limited	England & Wales	Non-trading company	100% owned by Zone Group 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 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

3. DEBTORS

	5 October 2019	29 September 2018
	£'000	£'000
Prepayments	10	4
Other debtors	55	-
	65	4

4. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	5 October 2019	29 September 2018
	£'000	£'000
Amounts owing to group undertakings	1,549	1,293
Accruals	22	18
	1,571	1,311

5. SHARE CAPITAL

	5 October 2019	29 September 2018
	£'000	£'000
Allotted, called up and fully paid:		
50,000,000 ordinary shares of 1p each	500	500
	500	500

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 5 OCTOBER 2019

CONTINUED

6. RESERVES

	Merger reserve	Profit and loss account
	£'000	£'000
At 29 September 2018	586	66,251
Profit for the financial period	-	9,551
Dividends paid during the year	-	(9,750)
At 5 October 2019	586	66,052

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
(resigned 30 August 2019)
J C P Smith
J L Fearn
J W Sharman
C J Caminada
M J Collins

Secretary

J L Fearn
(resigned 5 September 2019)
C A Bowen
(appointed 5 September 2019)

Registered office

Haramead Business Centre
Humberstone Road
Leicester
LE1 2LH

Auditor

Cooper Parry Group Limited
East Midlands Office,
Sky View, Argosy Road,
East Midlands Airport,
Derby,
DE74 2SA

Bankers

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

NatWest
1 Granby Street
Leicester
LE1 9GT

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

Finncap
60 New Broad Street
London
EC2M 1JJ

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Shoe Zone plc (the '**Company**') will be held at its registered office at Haremead Business Centre, Humberstone Road, Leicester, Leicestershire LE1 2LH on Thursday, 5 March 2020 at 10.00 a.m. to consider and, if thought fit, pass the resolutions set out below. Resolutions [1] to [12] will be proposed as ordinary resolutions and Resolutions [13] to [16] will be proposed as special resolutions.

1. To receive and adopt the Company's annual accounts for the financial period ended 5 October 2019 and the associated reports of the Directors of the Company and the auditors of the Company.
2. To declare a final dividend of 8.0p per ordinary share for the financial period ended 5 October 2019.
3. To re-elect Charles Smith as a Director.
4. To re-elect Anthony Smith as a Director.
5. To re-elect Jonathan Fearn as a Director
6. To re-elect Charlie Caminada as a Director.
7. To re-elect Jeremy Sharman as a Director.
8. To re-elect Malcolm Collins as a Director
9. To re-appoint Cooper Parry Group Ltd 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 2021.
10. To authorise the Directors of the Company to determine the remuneration of PKF Cooper Parry Group Ltd as auditors of the Company.
11. That, in accordance with section 366 of the Companies Act 2006 (the '**Act**'), the Company and its subsidiaries be and are hereby authorised, in aggregate, to:
 - a. make political donations to political parties and/or independent election candidates, not exceeding £50,000.00 in total;

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

- 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 2021 and the conclusion of the annual general meeting of the Company to be held in 2021. For the purposes of this resolution the terms 'political donation', 'political parties', 'independent election candidates', 'political organisation' and 'political expenditure' have the meanings given by sections 363 to 365 of the Act.

12. That, in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date of the passing of this resolution, the Directors of the Company be and are hereby generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act 2006 (the '**Act**') to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company:
- a. up to an aggregate nominal amount of £166,666; and
 - b. up to an aggregate nominal amount of £333,332 (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 2021 and the conclusion of the annual general meeting of the Company to be held in 2021, 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.

13. That, subject to the passing of resolution 12 proposed at the annual general meeting of the Company convened for 5 March 2020 ('**Resolution 12**') and in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date of the passing of this resolution, the Directors of the Company be and are hereby

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

generally empowered pursuant to sections 570 and 573 of the Companies Act 2006 (the '**Act**') to allot equity securities (within the meaning of section 560(1) of the Act) (including the grant of rights to subscribe for, or to convert any securities into, ordinary shares of £0.01 each in the capital of the Company ('**Ordinary Shares**')) for cash pursuant to the authorities conferred by Resolution 12 and/or by way of a sale of treasury shares (within the meaning of section 560(3) of the Act), as if section 561(1) of the Act did not apply to any such allotment or sale, provided that this power shall be limited to:

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

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

- b. the allotment of equity securities and the sale of treasury shares (other than under paragraph (a) of this resolution) up to an aggregate nominal amount of £25,000.

and shall expire on the earlier of 31 March 2021 and the conclusion of the annual general meeting of the Company to be held in 2021, 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.

- 14. That, subject to the passing of resolution 12 proposed at the annual general meeting of the Company convened for 5 March 2020 ('**Resolution 12**') and in addition to any authority granted pursuant to Resolution 13 proposed at the annual general meeting of the Company convened for 5 March 2020, the Directors of the Company be and are hereby generally empowered pursuant to sections 570 and 573 of the Companies Act 2006 (the '**Act**') to allot equity securities (within the meaning of section 560(1) of the Act) (including the grant of rights to subscribe for, or to convert any securities into, ordinary shares of £0.01 each in the capital of the Company ('**Ordinary Shares**')) for cash pursuant to the authorities conferred by Resolution 12 and/or by way of a sale of treasury shares within the meaning of section 560(3) of the Act, as if section 561(1) of the Act did not apply to any such allotment or sale, provided that this power shall be:

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

- 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; 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 2021 and the conclusion of the annual general meeting of the Company to be held in 2021, 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, 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:
- a. the aggregate number of such Ordinary Shares hereby authorised to be acquired by the Company shall not exceed £50,000;
 - 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 2021 and the conclusion of the annual general meeting of the Company to be held in 2021, 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.

NOTICE OF ANNUAL GENERAL MEETING **CONTINUED**

16. That the regulations contained in the document initialled by the Chairman of the Annual General meeting for the purposes of identification be and are hereby approved and adopted as the articles of association of the Company in substitution for, and to the exclusion of, all existing articles of association of the Company.

By order of the Board

Catherine Bowen
Company Secretary
Date: 7 January 2020

Registered Office: Haremead Business Centre, Humberstone Road, Leicester, Leicestershire,
LE1 2LH



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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. ONLINE VOTING

Members may vote online at www.signalshares.com. To register for this service, members will need their Investor Code, which can be found on their share certificate. To be valid, an online vote must be submitted no later than 48 hours before the time of the Annual General Meeting or any adjournment of that meeting.

The submission of an online vote will not prevent a member from attending the Annual General Meeting and voting in person.

3. 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. 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 0371 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.

4. APPOINTMENT OF A PROXY USING A FORM OF PROXY

Members may request a hard copy proxy form directly from Registrar 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.

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.

5. APPOINTMENT OF A PROXY THROUGH CREST

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

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

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).

6. 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.

7. 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).

8. 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 3 March 2020 (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.

9. VOTING RIGHTS

As at 7 January 2020 the Company's issued share capital consisted of 50,000,000 ordinary shares of £0.01 each carrying one vote each. 12,878 shares are held by the Company in treasury. Therefore, the total voting rights in the Company as at 7 January 2020 were 49,987,122 votes.

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Annual Report & Accounts 2019

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