Annual Report & Accounts

2020

Contents

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 Finanical Services and Markets Act 2000 (as amended) immediately. If you have sold or otherwise transferred all of your shares in Shoe Zone plc you should forward this document to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was affected for transmission to the purchaser or transferee.

Chief Executive’s report

In my second year back as Chief Executive, it is disappointing I am reporting on a year impacted by COVID-19. Despite this, there are positives such as the continued growth of digital and the commitment and focus of our loyal employees. The financial pressure caused by COVID-19 has meant we now have debt on the balance sheet for the first time in over 15 years.

The business model of digital, big box, hybrid and town centre stores remains the same although the percentage contributions of each area are changing fast due to lockdown restrictions, some of which will be a permanent shift.

In 2020, the business delivered revenue of £122.6m (2019: £162.0m). Underlying loss before tax was £14.6m (2019: profit before tax £6.7m). During the year freehold property values were reviewed to reflect the deteriorating retail property environment, resulting in a non-cash adjustment of £2.3m. Loss per share is therefore -23.65p (2019: Earnings per share 11.43p).

Digital

Digital continues to be a key growth area especially during lockdown periods when it was our only source of income. Our relatively new autonomous digital department has been very effective at coping with unexpectedly huge growth in sales and volumes.

Digital revenue was £19.3m (2019: £10.6m) with growth of 82% and a profit contribution of £4.6m (2019: £3.0m). The slower increase in contribution was due to heavy discounting in Lockdown 1 using a “Buy One Get One Free” promotion to generate cash and rectify overstocks. Discounting and resultant lower margins continue to be an ongoing issue due to COVID-19. We also had to slow down our digital exclusive lines due to lack of availability from suppliers. Gross margin during April 2020 was 28.7% (2019: 65.4%), and in May was 52.4% (2019: 64.7%). Gross margin took 5 months to recover in the financial year, and hence digital margin for the period as a whole was 51.7% (2019: 60.3%).

By the close of the year we grew the email database to 1.45m engaged members (2019: 1.1m). The conversion rate grew to 4.47% (2019: 3.48%) however this has been artificially inflated because of stores not being open, although we are focused on taking advantage of the increase in engaged database members going forward.

Returns continue to be extremely low at 8.4% (2019: 11%). The returns’ rate has been lower than expected during lockdown due to the mix of product sold. We expect this to return to c.10% as trading patterns stabilise.

Chief Executive's Report CONTINUED

Big Box & Hybrid

The big box stores have increased by 9 to a total of 51 stores. Revenue was £17.1m (2019: £15.6m) with a contribution loss of £0.2m (2019: £1.5m profit). This loss is entirely attributable to the COVID-19 lockdown impact.

The hybrid stores have increased by 2 to a total of 6. These have performed well and will be our strategy for town centre renewal over the next five years, which we anticipate will contribute the majority of our town centre profitability.

Product

We revived the 'Lilley & Skinner' brand in Spring/Summer with premium sandals and Autumn/Winter with boots. These are sourced direct from factories and deliver strong margins.

Osaga, Red Level, Stone Creek, Urban Territory were former Brantano brands acquired during the year to develop for our big box and hybrid ranges. These brands will enhance our "made to order" product ranges.

Clarks gave us notice to end our relationship due to their ongoing difficulties. This brand was performing poorly for us, so will not be missed.

Property

We ended the period operating from 460 stores, having opened 10 (9 big box; 1 hybrid) and closed 50. We completed 8 refits. Total capital expenditure of £2.8m (2019: £7.3m).

Rents at lease renewal have fallen by 30.9% (2019: 23.1%) saving £777k (2019: £631k). We expect this trend will continue as property supply continues to outstrip demand.

Our average lease length is 2 years, giving us opportunity to respond to changes in any retail location at short notice.

Dividend

The effect of COVID-19, has meant the business has taken on debt of £12m after being debt free for over 15 years. Our defined benefit pension schemes remain at deficit of £10.6m and will need greater support. Until the business is debt free, has tackled the pension deficit, repaired the balance sheet and restored capital expenditure, the business will not be in a position to make dividend payments. We anticipate this will not be before 2025.

Outlook

All of our stores are closed and we remain unable to forecast accurately due to current uncertainties. Our experienced management team continues to make the right decisions as new issues arise. However, we look forward to our customers returning to our stores on or after 12th April 2021 (England only), combined with our Digital platforms continuing to perform well.

Property

We have opened 1 hybrid store and completed 3 conversions (2 hybrid; 1 big box). When all our stores reopen we will have 427 stores (52 big box; 9 hybrid; 367 town centre). We have closed 33 stores which is faster than previously forecast, mainly due to COVID-19 and certain towns becoming unviable due to the closures of complementary retailers.

We expect closures and openings to be at a similar level to 2020 (50 closures and 10 relocations). This is expected to continue for the next 2-3 years, and will have a negative cash impact due to the closure costs of redundancies and dilapidations.

Capital expenditure

The rollout of big box stores has been suspended for the foreseeable future due to the financial pressure caused by COVID-19.

The hybrid stores have performed well and we now plan to relocate 10 stores to this format in 2021. These are largely funded by rent free periods from landlords, payback within 12 months and have a high success rate because the relocation of existing stores. Most of these relocations are essential to protect store contributions in decent towns where our current lease has expired.

Non-store capital expenditure is suspended unless it is business critical e.g. Payments software update to comply with GDPR.

Product

The November 2020 and current lockdowns are having a material impact on sales and margins. This will leave us with a Winter stock overhang of c. £7m at cost, that we are unable to deal with until Autumn 2021, as it is currently locked away in non-trading stores. We have sufficient warehouse stocks to fulfil digital orders on the majority of high-volume styles.

Freight rates post-Christmas have significantly increased to c. £6,500 per container (2019: £1,900). We can't forecast how long this will last but it is significant as we import on average 100 containers per month.

Owing to Force Majeure stock cancellations during Lockdowns 1–3, we now have an excess of dollar hedges. We will keep the excess dollars for future use unless the business requires it for sterling payments.

Chief Executive's Report CONTINUED

Conclusion

We have received government assistance via furlough payments, grants and rates relief. We have also had cash flow assistance via VAT deferral, rent deferrals from landlords (some discounts/COVID-19 clause reductions in rent), cancellations of stock with suppliers and other cost savings.

We do not expect profits will return to pre COVID-19 levels for the foreseeable future. Lockdown in November and January to mid-April so far in this financial year makes a return to profit extremely unlikely until the financial period ending on 2nd October 2022 at the earliest.

I would like to thank all those who gave us assistance in 2020 and have continued to help us in 2021. We are working very well as a management team in finding innovative ways to secure a future for our extremely dedicated "Shoe Zoners".

Director's statement of compliance with the duty to promote the success of the group (Section 172(1) statement)

The Director has acted in the way he considers, in good faith, promotes the success of the group for the benefit of its members as a whole, and in doing so have given regard to (amongst other matters):

External relationships

The vast majority of the Company's products are manufactured overseas in China and to a lesser extent in India and Europe. As a result, the Group is subject to the risks associated with international trade, particularly those 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 Company's policy for the payment of suppliers is to agree payment terms in advance and to abide by such terms.

The Company continually develops strategies to further improve its strong relationship with its suppliers.

Chief Executive's Report CONTINUED

Our people

Our long-term success depends on looking after the best interests of our employees, customers, shareholders and suppliers.

All employees are able to contribute to the ongoing success of the business through regular contact between management and employees. We promote equal opportunities and do not tolerate discrimination of any kind. We operate a non-contractual profit share scheme that rewards all employees, with service greater than one year, based on the overall company profit performance. Details on the number of people employed can be found in note 7 of the financial statements.

I am delighted that Terry Boot will be joining us on 8th March 2021 as our new Finance Director. The Board meets regularly and communicates with our people on a regular basis to ensure they all understand our strategic objectives both short and long-term.

I am incredibly proud of the effort of our employees in extremely difficult circumstances and want to thank them for their ongoing commitment and hard work and the considerable efforts needed in the months ahead.

Charity

We donated over £165,000 to charitable causes. These donations are mainly targeted at children in poverty/difficult circumstances locally, nationally and internationally and delivered via The Shoe Zone Trust.

Environment

We recognise the impact of our activities on the environment. We relentlessly review our consumption of single use plastics and have eliminated them in all own label products. We recycle all cardboard and plastic waste from our stores and head office. We use sea transportation to reduce emissions. We are currently trialling our first Compressed Natural Gas delivery lorry.

Political donations

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

Financial Review

In the 52 weeks to 3 October 2020, revenues fell by 24.4% to £122.6m (2019: £162.0m) following the loss of trade from our retail stores due to COVID-19. We ended the year with 460 stores, a net reduction of 40 stores on 2019.

The Loss before Tax was £14.6m (2019: Profit before Tax £6.7m). This significant reduction in Profit before Tax was due to COVID-19 reversed in part by furlough support monies and rate free periods during lock-down. We continue to focus on cost reductions in rent, rates and central costs.

Digital growth has been strong with revenues of £19.3m (2019: £10.6m). Profit contribution from Digital increased by 15.3% to £4.6m (2019: £3.0m) in the year. We continue to grow and invest in our digital presence and recognise the growth potential this provides.

During the year, the company has adopted IFRS 16. This has had a significant impact on both our income statement account and statement of financial position. Details of the impact can be found in note 1.

During the year, with the back drop of COVID-19 and increased pressure on retail space we undertook a review of the value of our freehold properties. This resulted in a one off non-cash adjustment to profits of £2.3m

Product Gross Margin decreased to 61.4% (2018: 62.7%) due to digital promotional activity during lock-down and a buy one get one free promotion when stores reopened.

Administration expenses increased by £1.8m to £13.9m (2019: £12.1m) in part due to COVID-19 with redundancy costs rising by £1.2m. Distribution costs rose by £0.7m to £6.9M (2019: £6.2m) with the higher costs of digital post and packing.

The effective rate of corporation tax for the year was 18.5% (2019: 19.4%) creating £2.7m of taxable losses to be offset against future profits.

Earnings per Share are therefore a (23.81p) (2019: 11.43p).

Capital expenditure fell to £2.8m (2019: £7.3m) as we conserved cash during lockdown. The expenditure in the early part of the financial year was for expansion of our Big Box portfolio, re-fits and IT development projects.

For the first time in over 15 years the Group has taken on debt to mitigate the loss of trade during COVID-19. The business has a loan with National Westminster Bank supported by the COVID-19 Large Business Interruption Loan Scheme. At the year-end the draw down was £7.0m which we extended to £12.0m in October to cover the cash flow pressure through further lockdowns.

Financial Review CONTINUED

The pension liability has increased by £0.9m (2019: £3.4m) from £9.7m to £10.6m. During the year, deficit reduction contributions of £1.4m were made between the two schemes.

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.

Derivative financial assets of £(0.1m), compared to £2.7m in the prior year, represents the market to market valuation of the derivative hedges in place at the end of the financial year. Due to stock cancellations during the pandemic Shoe Zone is over hedged against future dollar purchases, this will be reflected in larger variations in exchange differences in future periods.

The Company generated £15.9m cash from operations, a year on year increase of £1.7m resulting in a net cash position of £6.3m (2019: £11.4m) at the year end. The reported cash position (£13.3m) includes the £7.0m CLBILS loan. The Group's current bank facilities also include an on demand overdraft facility of £3.0m, which has not been used during the year.

With the growing pension scheme liability, loan facility and ongoing pressure from COVID-19 and lockdowns the Board is not proposing a final dividend this year and given these pressures on our business will be unlikely to pay a dividend until 2025 at the earliest.

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 %

15.7%

2019: 6.5%

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

The online participation increased by 920 basis points to 15.7% (2019: 6.5%). This performance reflects the growth of the Shoe Zone website sales, the offering on eBay and Amazon, and reflects the lockdown periods restricting store sales.

PRODUCT GROSS MARGIN %

61.4%

2019: 62.7%

Product Gross Profit expressed as a percentage of revenue.

Product Gross Margin remained stable at 61.4% (2019: 62.7%). This decrease reflects the increased promotional activity both in store and on digital platforms as a result of Covid restrictions.

CASH BALANCE

£6.3m

2019: £11.4m

Cash held by the Group at the period end.

We finished the year with a net cash balance of £6.3m (2019: £11.4m).

EARNINGS PER SHARE

(23.81p)

2019: 11.43p

The percentage movement in Earnings per Share.

Earnings per Share decreased to (23.81p) (2019: 11.43p).

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

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

Identifying fashion and trends

The success of the Group's business depends in part on its ability to innovate and to identify, anticipate and respond to evolving trends in consumer preferences, 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

Principal Risks and Uncertainties CONTINUED

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.

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 and Europe. 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.

Principal Risks and Uncertainties CONTINUED

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

Loss of key operating site

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

The business has 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.

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 are in use and its appropriateness regularly reviewed.

Principal Risks and Uncertainties CONTINUED

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 the post Brexit environment presents. Within the Shoe Zone product range, less than 2.5% of all stock is purchased from within the EU, this limits any potential risks.

The import of finished product from the Far East represents the main areas of risk, initial disruption at ports has now been resolved and deliveries have only been marginally impacted. No major instability of the Sterling/Dollar exchange rate has been seen and Shoe Zone is now fully hedged for the forthcoming financial year.

We continue to monitor both of these risk factors.

COVID-19

The COVID-19 pandemic has presented all retailers with challenges and Shoe Zone has not been immune to this.

During the pandemic, Shoe Zone has taken a CLBILS loan (see note 18) and has made use of the government job retention scheme and rating relief.

Shoe Zone remains in a satisfactory cash position despite the current trading environment.

With the prospect of high street stores reopening following the initial success of the government vaccine programme, we look forward to increased demand returning to our high street stores.

Going concern

Please see page 23 in Director's report regarding going concern.

The strategic report was approved by the Board.

On behalf of the Board

Anthony Smith
Chief Executive
Date: 5 March 2021

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. The code states what are considered to be appropriate corporate governance arrangements for companies. It provides 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
Chairman
Date: 5 March 2021

Corporate Governance Statement CONTINUED

THE TEN PRINCIPLES OF THE QCA CODE

1

CATEGORY: DELIVER GROWTH

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

- Shoe Zone is a footwear retailer. Its strategy is based on three pillars:
  - Digital growth
  - Town Centre renewal
  - Big Box expansion
- This business model has been developed over many years and has proved successful in both profit performance and cash generation. Growth strategies have been limited through the year due to lockdowns and cash preservation strategies.

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CATEGORY: DELIVER GROWTH

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

- The Chief Executive and the Finance Director are primarily responsible for maintaining dialogue with shareholders, supported by the Company's broker.
- The Chief Executive and Finance Director 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.

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 Chairman and 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.
- 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.

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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

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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 two Non-executive Directors.
- The Executive Chairman is Charles Smith, who is also a major shareholder with 22.43% shareholding.
- The Senior non-executive director is Victoria Norrish, who is the Chair of the Audit Committee.
- The remaining Executive board members are Anthony Smith, Chief Executive and Terry Boot, Finance Director. Anthony Smith is the largest shareholder with 28.05%.
- The remaining Non-executive Director is Malcolm Collins. He is Chairman of the Remuneration Committee.
- Within the Executive Directors, Anthony Smith is a full time Director. 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 accounting, footwear retail and supply chain expertise.

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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

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CATEGORY: MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

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

- The Executive Board consists of Anthony Smith, Charles Smith and Terry Boot.
- Within the organisation there is also a wider Management Team that has functional responsibility for the business.
- The Board is constantly reviewing its own performance and that of the Management Team 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.

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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 operate a non-contractual profit share scheme that rewards all employees, with service greater than one year, based on the overall company profit performance.

Corporate Governance Statement CONTINUED

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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.

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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 Finance Director to discuss performance and future plans.
- 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 two 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; and
- approval of communications with shareholders and the market.

Details of each of the Directors are given in their biographies on pages 14.

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 Victoria Norrish. 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 15.

Board of Directors

Chairman

CHARLES SMITH

Charles joined Shoe Zone in 1998, becoming Chief Operating Officer in 2001. He was appointed Chairman in January 2020. Charles is a founder and Trustee of the Shoe Zone Trust.

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.

Finance Director

TERRY BOOT

Terry joined Shoe Zone in March 2021 as Finance Director. He was most recently Finance Director and then CEO at The Company of Master Jewellers having prior to that been in the footwear industry for 26 years. From 1998 to 2016, he was the Finance Director at Brantano.

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, and is a specialist 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.

Non-executive Director

MALCOLM COLLINS

Malcolm joined as a Non-Executive Director in June 2016. Malcolm was most recently Group Buying and Design Director for footwear and accessories at New Look, overseeing the Group's £550m footwear division. Prior to Malcolm's 16 years at New Look, he worked for 23 years at Clarks Shoes including 13 years as Women's Footwear Buyer.

Non-executive Director

VICTORIA NORRISH

Victoria joined as a Non-Executive Director in August 2020. Victoria joined Blue Light Card Limited in January 2021 as Chief Financial Officer. She was previously at TheWorks.co.uk plc from 2008 to 2020 as Supply Chain Director (January 2019 to December 2020), Strategic Development Director (July 2018 to January 2019) and Finance Director (November 2008 to July 2018). She commenced her accountancy career as an auditor with KPMG and Godkin & Co.

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. Malcolm Collins is the Chairman and Victoria Norrish also serves on the Committee.

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

Duties

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

- responsibility for agreeing, with the Board, the framework or broad policy for the remuneration of all Executive Directors of the Company, including pension rights, compensation payments bonuses, incentive payments, share options and benefits in kind;
- obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity and market practice generally;
- be exclusively responsible for selecting any remuneration consultants who advise the Committee;
- approve the design and determine targets for any performance-related pay schemes operated by the Company and approve the total annual payments made under such schemes;
- monitor the level and structure of remuneration for senior management and note annually the remuneration trends across the Group;
- review the design and implementation of all share incentive plans for approval by the Board and shareholders. For such plans, determine each year whether awards will be made, and if so, the overall amount of such awards;
- ensure the contractual terms on termination, and any payments made, are fair to the individual and the Company, and in accordance with any legal and regulatory requirements;
- oversee any major change in employee benefit structures throughout the Group; 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	14,025,837	(1)	28.05%
Charles Smith	11,213,538	(2)	22.43%
Non-executive Directors			
Victoria Norrish	Nil		Nil
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

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	**FY20**	**350,000**	**-**	**-**	**43,464**	**-**	**393,464**
	FY19	250,000	-	-	53,342	-	303,342
Charles Smith	**FY20**	**224,000**	**-**	**-**	**23,329**	**-**	**247,329**
	FY19	120,000	-	-	19,412	-	139,412
Nick Davis	**FY20**	**-**	**-**	**-**	**-**	**-**	**-**
	FY19	194,792	-	-	11,661	23,375	229,828
Jonathan Fearn*	**FY20**	**101,896**	**-**	**-**	**9,477**	**12,228**	**123,601**
	FY19	115,000	-	-	11,426	13,800	140,226
Peter Foot*	**FY20**	**30,403**	**-**	**-**	**2,153**	**-**	**32,256**
	FY19	-	-	-	-	-	-
Non–executive Directors							
Malcolm Collins	**FY20**	**19,334**	**-**	**-**	**-**	**-**	**19,334**
	FY19	20,000	-	-	-	-	20,000
Victoria Norrish	**FY20**	**2,828**	**-**	**-**	**-**	**-**	**2,828**
	FY19	-	-	-	-	-	-
Jeremy Sharman*	**FY20**	**27,000**	**-**	**-**	**-**	**-**	**27,000**
	FY19	30,000	-	-	-	-	30,000
Charlie Caminada*	**FY20**	**16,613**	**-**	**-**	**-**	**-**	**16,613**
	FY19	30,000	-	-	-	-	30,000
Total	**FY20**	**772,074**	**-**	**-**	**78,423**	**12,228**	**862,725**
	FY19	759,792	-	-	95,841	37,175	892,808

*** Resigned before date of signing**

Remuneration Report CONTINUED

Long Term Incentive Plan (LTIP)

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 were also vested in November 2019.

The LTIP scheme has now been discontinued.

Directors' Service contracts and employment letters

The Executive Directors have entered into service agreements with the Company with effect from 1 May 2017 or in the case of Peter Foot his date of commencement. Salaries for the up-coming year are set out below:

	£
Anthony Smith	350,000
Charles Smith (1)	224,000
Peter Foot **(resigned 19 February 2021)**	125,000
Terry Boot **(started 8 March 2021)**	115,000

(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 and Charles Smith and 6 months for Terry Boot. Other fixed elements of the Executive Directors' remuneration comprise a company car provision, life assurance and private medical insurance. Terry Boot is entitled to a Pension Contribution of 12% 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:

	£
Malcolm Collins	20,000
Victoria Norrish	30,000
Jeremy Sharman*	30,000
Charlie Caminada*	30,000

*** Resigned before date of signing**

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

M. Coll

Malcolm Collins
Chairman of the Remuneration Committee
Date: 5 March 2021

DIRECTORS' REPORT
FOR THE 52 WEEKS ENDED 3 OCTOBER 2020

The Directors present their Annual Report and audited financial statements of the Company and the Group for the 52 weeks ended 3 October 2020.

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 22 of the financial statements. The Company's share capital consists of one class of ordinary shares. As at 3 October 2020 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 5th March 2020, 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 2021 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 are listed on the Directors and Advisors page.

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 3,428 (05 October 2019: 3,519) 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.

All employees are able to contribute to the ongoing success of the business through regular contact between management and employees. We promote equal opportunities and do not tolerate discrimination of any kind.

Annual general meeting

The Company's seventh AGM will be held on Wednesday, 31 March 2021 at 10.00 a.m. at the Company's registered office at Haramead Business Centre, Humberstone Road, Leicester, Leicestershire LE1 2LH. The Notice of AGM appears on pages 107 to 110.

In light of the current guidance issued by the UK Government restricting social gatherings, which would prohibit shareholders from attending the Annual General Meeting if it remains in place at the date of the Annual General Meeting, and the general uncertainty on what additional and/or alternative measures may be put in place should the current guidance be amended, the Board regretfully requests that shareholders do not attend the Annual General Meeting in person (irrespective of whether the restrictions on social gatherings remain in place at the date of the Annual General Meeting). The Annual General Meeting will be convened with the minimum quorum of shareholders required in order to conduct the business of the Annual General Meeting and this will be facilitated by the Company's management.

With this in mind, shareholders are strongly encouraged to exercise their vote by appointing the Chairman of the Annual General Meeting as their only proxy and providing voting instructions in advance of the Annual General Meeting, in accordance with the instructions explained in the Notes attached to this Notice of Annual General Meeting. In the interests of health and safety, shareholders and any appointed proxies or corporate representatives (other than the Chairman of the Annual General Meeting or another member of the Company's management attending the Annual General Meeting to facilitate a quorum) will not be admitted to the Annual General Meeting.

The Company will continue to closely monitor the developing impact of COVID-19 and the latest guidance from the UK Government. If the guidance changes significantly such that the arrangements regarding attendance at the Annual General Meeting can change, the Company will notify shareholders of any such changes via Regulatory Information Service.

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

Appointment of Directors (resolutions 2 to 6)

The UK Corporate Governance Code recommends that directors should be subject to annual re-election by shareholders. In line with the Company's intention to apply certain principles of the UK Corporate Governance Code, each Director will stand for election or re-election (as appropriate) at the AGM. Biographical details of each Director appear on page 22. 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 9)

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 10)

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 10 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 2 March 2021. 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 2 March 2021).

Disapplication of pre-emption rights (resolutions 11 and 12)

Resolutions 11 and 12 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 11 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 11 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 2 March 2021. This resolution also disapplies statutory pre-emption rights to the extent necessary to facilitate rights issues.

Resolution 12 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 2 March 2021) 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 2022 or 31 March 2022, whichever is earlier.

Authorisation for the Company to purchase its own shares (Resolution 13)

Resolution 13 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 a manner as the Directors may determine from time to time, subject to the limitations set out in the resolution. If Resolution 13 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 2 March 2021. Resolution 13 also sets out the minimum and maximum price that the Company may pay for purchases of its ordinary shares.

If Resolution 13 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 2022 or 31 March 2022, 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.

Form of proxy

Please note you will not receive a form of proxy for the March 2021 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. 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 0391 if calling from the United Kingdom, or +44(0)371 664 0391 if calling from outside the United Kingdom.

Calls are charged at the standard geographical rate and will vary by provider. 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.

In normal circumstances voting online or appointing a proxy will not preclude a shareholder from attending the AGM and voting in person. However please note the restrictions on attendance at the AGM this year in light of the ongoing COVID-19 guidance. As a result, shareholders are encouraged to appoint a proxy.

All online votes or proxy appointments should be submitted so as to be received no later than 10.00 a.m. on 29 March 2021.

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 pages 37 to 41.

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.

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.

Streamlined Energy and Carbon Reporting (SECR)

Energy consumption breakdown (kWh):	
Electricity	13,642,297
Natural gas	2,300,880
Transport fuel	428,475
Other fuels	-
Totals	**16,371,652**

Greenhouse gas emissions (tCO2e):	
From combustion of fuel	
Natural gas	423.06
Transport fuel for company vehicles	57.34
Transport fuel for rental vehicles	48.29
Other fuels	-
Subtotal	**528.69**
From Purchased Electricity, Steam, Heat & Cooling	3,180.57
From Other Activities inc. Process & Fugitive	23.53
Subtotal	**3,204.10**
Total gross emissions	**3,732.79**
Renewable electricity	-
Carbon offsets	-
Domestic carbon units	-
Total net emissions	**3,732.79**

Intensity ratios	
Annual MWh per £m Turnover	133.58
Annual tCO2e per £m Turnover	30.46

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 satisfactory despite the current trading environment. It also has in place a £3.0m overdraft facility. During the pandemic the company took a COVID-19 Large Business Interruption Loan Scheme (CLBILS) loan of £7.0m, this requires the Group to comply with certain financial covenants, these have been met during the year and since year end. 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.

With the prospect of high street stores reopening following the initial success of the Government vaccine programme, we look forward to increased demand returning to our high street stores combined with maintaining the growth levels of our digital presence.

Digital performance growth combined with the satisfactory cash position gives the Directors a reasonable basis on which to satisfy themselves that the business is a going concern.

Events after the year-end

Between 3 October 2020 and the date of this report, there have been no material events. The Strategic Report, the Directors' Report and the Remuneration Report were approved by the Board.

Directors' responsibilities statement

The Directors are responsible for preparing the strategic report, the Director's report and the financial statements in accordance with applicable law and regulations.

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

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

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

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

Website publication

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

Disclosure of information to auditor

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

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

Approved by the Board and signed on its behalf:

Anthony Smith
Chief Executive
Date: 5 March 2021

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

Opinion

We have audited the financial statements of Shoe Zone plc (the 'parent company') and its subsidiaries (the 'group') for the 52 weeks ended 03 October 2020 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 03 October 2020 and of the group's loss for the 52 weeks then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group 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.

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.

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 £300,000. This has been determined with reference to the benchmark of the group's loss before tax which we consider to be an appropriate measure for a group of companies such as these. Materiality represents 3% of group loss before tax.

The materiality for the parent company financial statements as a whole was set at £15,000. This has been determined with reference to the benchmark of the parent company's loss before tax 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.

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 to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 35, 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.

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: 12 January 2021

CONSOLIDATED INCOME STATEMENT FOR THE 52 WEEKS ENDED 3 OCTOBER 2020

	Note	**52 weeks ended 3 October 2020**	53 weeks ended 5 October 2019
		£'000	£'000
Revenue	4, 8	**122,568**	162,047
Cost of sales	5	**(114,455)**	(136,965)
Gross profit		**8,113**	25,082
Administration expenses	5	**(13,928)**	(12,081)
Distribution costs	5	**(6,895)**	(6,154)
(Loss)/Profit from operations		**(12,710)**	6,847
Finance income	9	**10**	44
Finance expense	9	**(1,901)**	(192)
(Loss)/Profit before taxation		**(14,601)**	6,699
Taxation	10	**2,698**	(985)
(Loss)/Profit attributable to equity holders of the parent		**(11,903)**	5,714
(Loss)/Profit Earnings per Share – basic and diluted	28	**(23.81p)**	11.43p

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME FOR THE 52 WEEKS ENDED 3 OCTOBER 2020

	Note	**52 weeks ended 3 October 2020**	53 weeks ended 5 October 2019
		£'000	£'000
(Loss)/profit for the period		**(11,903)**	5,714
Items that will not be reclassified subsequently to the income statement			
Remeasurement losses on defined benefit pension scheme	25	**(2,114)**	(4,177)
Movement in deferred tax on pension schemes	21	**899**	707
Items that will be reclassified subsequently to the income statement			
Fair value movements on cash flow hedges		**(2,124)**	648
Cash flow hedges recognised in inventories			
Tax on cash flow hedges		**363**	(126)
Other comprehensive income / (expense) for the period		**(2,973)**	(2,948)
Total comprehensive income for the period attributable to equity holders of the parent		**(14,879)**	2,766

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 3 OCTOBER 2020

	Note	**52 weeks ended 3 October 2020**	53 weeks ended 5 October 2019
Assets			
Non-current assets		**£'000**	£'000
Property, plant and equipment	12	**16,967**	22,143
Right of use assets	13	**42,387**	-
Deferred tax asset	21	**5,617**	1,677
Total non-current assets		**64,971**	23,820
Current assets			
Inventories	14	**26,698**	28,511
Trade and other receivables	15	**2,735**	6,078
Derivative financial assets	16	**-**	2,726
Cash and cash equivalents	26	**13,266**	11,417
Total current assets		**42,699**	48,732
Total assets		**107,670**	72,552
Current liabilities			
Trade and other payables	17	**(17,316)**	(27,429)
Lease liabilities	13	**(19,914)**	-
Derivative financial liability	16	**(105)**	-
Bank Loan	18	**(1,944)**	-
Provisions	19	**(1,471)**	(715)
Corporation tax liability		**(137)**	(440)
Total current liabilities		**(40,887)**	(28,584)
Non-current liabilities			
Trade and other payables	17	**-**	(2,432)
Lease liabilities	13	**(37,475)**	-
Bank Loan	18	**(5,056)**	-
Provisions	19	**(1,260)**	(370)
Employee benefit liability	25	**(10,594)**	(9,736)
Total non-current liabilities		**(54,385)**	(12,538)
Total liabilities		**(95,272)**	(41,122)
Net assets		**12,398**	31,430
Equity attributable to equity holders of the company			
Called up share capital	22	**500**	500
Merger reserve		**2,662**	2,662
Cash flow hedge reserve		**(116)**	1,645
Retained earnings		**9,352**	26,623
Total equity and reserves		**12,398**	31,430

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

Anthony Smith, Chief Executive, Date: 5 March 2021

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 52 WEEKS ENDED 3 OCTOBER 2020

	Share capital	Merger reserve	Cash flow hedge reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
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
Impact on transition to IFRS 16 (note 13)	-	-	-	(4,153)	(4,153)
At 6 October 2019	500	2,662	1,645	22,470	27,277
Loss for the period	-	-	-	(11,903)	(11,903)
Defined benefit pension movements	-	-	-	(2,114)	(2,114)
Cash flow hedge movements	-	-	(2,124)	-	(2,124)
Deferred tax on other comprehensive income	-	-	363	899	1,262
Total comprehensive income for the period	-	-	(1,761)	(13,118)	(14,879)
Dividends paid during the year (note 11)	-	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-	-
At 3 October 2020	**500**	**2,662**	**(116)**	**9,352**	**12,398**

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 on 26 March 2014.

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE 52 WEEKS ENDED 3 OCTOBER 2020

	Note	**52 weeks ended 3 October 2020**	53 weeks ended 5 October 2019
		£'000	£'000
Operating activities			
(Loss)/Profit after tax		**(11,903)**	5,714
Corporation tax		**(2,698)**	985
Finance income		**(10)**	(44)
Finance expense		**1,901**	192
Depreciation of property, plant and equipment	12	**3,545**	3,258
Fixed asset impairment and loss on disposal of property, plant and equipment	1	**4,642**	3,034
Right of use asset profit on disposal, depreciation and impairment	2	**23,998**	-
Pension contributions paid	3	**(1,466)**	(890)
		18,009	12,249
Decrease / (increase) in trade and other receivables	4	**(810)**	157
Decrease / (increase) in foreign exchange contract	4	**336**	30
Decrease / (increase) in inventories	5	**2,184**	(1,451)
(Decrease) / Increase in trade and other payables	6	**(5,498)**	3,150
Increase in provisions	7	**1,646**	83
		(2,142)	1,969
Cash generated from operations		**15,867**	14,218
Net corporation tax paid	8	**(283)**	(1,488)
Net cash flows from operating activities		**15,584**	12,730
Investing activities			
Purchase of property, plant and equipment	12	**(2,809)**	(7,290)
Interest received		**10**	44
Net cash used in investing activities		**(2,799)**	(7,246)
New secured loan repayable by instalments	18	**10,000**	-
Repayments of secured loan	18	**(3,000)**	-
Capital element of lease repayments		**(17,719)**	
Interest paid		**(217)**	
Dividends paid during the year	11	**-**	(9,750)
Net cash used in financing activities		**(10,936)**	(9,750)
Net increase in cash and cash equivalents		**1,849**	(4,266)
Cash and cash equivalents at beginning of period		**11,417**	15,683
Cash and cash equivalents at end of period	26	**13,266**	11,417

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 3 OCTOBER 2020

1. ACCOUNTING POLICIES

General information

Shoe Zone plc (the 'Company') is a public company incorporated and domiciled in England and Wales. The registered office is at Haramead Business Centre, Humberstone Road, Leicester, LE1 2LH. The company registered number of the Company is 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 52 weeks ended 3 October 2020.

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

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

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

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 3 October 2020. 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

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.

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. It also has in place a £3.0m overdraft facility. During the pandemic the company took a CLBILS loan of £7.0m, this requires the group to comply with certain financial covenants, these have been met during the year and since year end. 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.

With the prospect of high street stores reopening following the initial success of the government vaccine programme, we look forward to increased demand returning to our high street stores combined with maintaining the growth levels of our digital presence.

1. ACCOUNTING POLICIES CONTINUED

IFRS 16 Leases

IFRS 16 Leases is effective for the Group from 6 October 2019 and replaces existing lease guidance under IAS 17 Leases. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of all leases.

Leases in which the Group is a lessee

A majority of the Groups trading stores are leased. The Group also has a number of non-property leases relating to vehicles and other equipment.

Under IFRS 16 on commencement of a lease the Group recognises on the Balance Sheet a right of use asset and a lease liability representing its obligation to make payments under the lease.

The right of use asset is established as the cost value of the initial measurement of the lease liability adjusted for any lease payments made at or before commencement and any lease incentives received or premiums paid. The Group depreciates the right of use assets on a straight line basis from the lease commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The Group assesses the right of use asset for impairment on a periodic basis. The Group has not factored the dilapidation provision into the right of use asset as the provision relates to general 'wear and tear' as opposed to structural changes.

The lease liability is initially measured as the present value of the remaining lease payments, discounted using the interest rate based on the Groups incremental borrowing rate. Subsequent to initial measurement, the liability will be reduced for lease payments made and increased by interest charged on the net liability value. The carrying value of the lease liability is periodically remeasured to reflect any modification event such as any change to in-substance fixed payments or change in the lease term. When the lease liability is remeasured the corresponding adjustment is reflected in the right of use asset or profit and loss account if the right of use asset is already reduced to zero.

The Group has elected to account for short term leases and leases of low-value assets using the practical expedient method. Instead of recognising a right of use asset and a lease liability, the payments for these are treated as an expense on a straight line basis over the term of the lease. The total value of leases/agreements where the company has used the practical expedient are disclosed in note 13.

Leases in which the Group is a lessor

Lessor accounting remains the same as that applied under IAS 17 and applied to previous accounting periods. At inception the lease is assessed as being an operating or finance lease. This assessment is based on an evaluation as to whether the lease transfers substantially all the risks and rewards to the underlying asset. If this is the case then the lease is identified as a finance lease. If not the lease is recognised as an operating lease.

The Group has a very small number of leases where it is intermediate lessor.

1. ACCOUNTING POLICIES CONTINUED

IFRS 16 transition note

The Group has adopted IFRS 16 Leases on 6 October 2019 using the modified retrospective approach. The cumulative effect of adopting IFRS 16 has been recognised as an adjustment to the opening balance sheet as at 6 October 2019, with no restatement of comparable information and a £4.2m adjustment (debit) to retained earnings.

Under the modified retrospective approach the opening right of use asset can be measured in one of two ways:

(a) As if the Group had applied IFRS 16 since the commencement date using its incremental borrowing rate at the date of initial application; or

(b) Measured at an amount equal to the lease liability at the date of initial application.

The right of use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the balance sheet as at 6 October 2019.

The Group applies the practical expedient, not to reassess whether a contract is or contains a lease at the date of application. This means the Group applies IFRS 16 to all contracts entered into before 6 October 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

The Group has elected to use the exemptions proposed by the standard on lease contracts for which the lease term ends within 12 months as of the date of initial application, except for leases which are expected to be renewed or replaced by a lease with a term greater than 12 months. These leases are accounted for as short-term leases and the lease payments associated with them are recognised as an expense.

1. ACCOUNTING POLICIES CONTINUED

IFRS 16 transition note (continued)

The impact on the income statement for the 52 weeks ended 3 October 2020 is as follows:

	52 weeks ended 3 October 2020 (excluding IFRS 16 adjustments) £'000	IFRS 16 adjustment £'000	53 weeks ended 5 October 2019 (including IFRS 16 adjustments) £'000
Revenue	**122,568**	-	122,568
Cost of sales	**(109,870)**	(4,585)	(114,455)
Gross profit	**12,698**	(4,585)	8,113
Administration expenses	**(15,278)**	1,350	(13,928)
Distribution costs	**(6,910)**	15	(6,895)
Profit from operations	**(9,490)**	(3,220)	(12,710)
Finance income	**10**	-	10
Finance expense	**(217)**	(1,684)	(1,901)
Loss before tax	**(9,697)**	(4,904)	(14,601)
Taxation	**2,698**	-	2,698
Loss after tax	**(6,999)**	(4,904)	(11,903)

1. ACCOUNTING POLICIES CONTINUED

IFRS16 transition note (continued)

	Note	**53 weeks ended 3 October 2019 (excluding IFRS 16 adjustments) £'000**	53 weeks ended 5 October 2019 IFRS 16 adjustment £'000	53 weeks ended 5 October 2019 (including IFRS 16 adjustments) £'000
Assets				
Non-current assets				
Property, plant and equipment	12	**22,143**	-	22,143
Right of use assets	13	**-**	61,662	61,662
Deferred tax asset	21	**1,677**	-	1,677
Total non-current assets		**23,820**	61,662	85,482
Current assets				
Inventories	14	**28,511**	-	28,511
Trade and other receivables	15	**6,078**	(4,153)	1,925
Derivative financial assets	16	**2,726**	-	2,726
Cash and cash equivalents	26	**11,417**	-	11,417
Corporation tax asset		**-**	-	-
Total current assets		**48,732**	(4,153)	44,579
Total assets		**72,552**	57,509	130,061

1. ACCOUNTING POLICIES CONTINUED

IFRS16 transition note (continued)

	Note	**53 weeks ended 5 October 2019 (excluding IFRS 16 adjustments) £'000**	53 weeks ended 5 October 2019 IFRS 16 adjustment £'000	53 weeks ended 5 October 2019 (including IFRS 16 adjustments) £'000
Current liabilities				
Trade and other payables	17	**(27,429)**	4,595	(22,834)
Lease liabilities	13	**715**	(19,914)	(21,891)
Derivative financial asset/liability	16	**-**	-	-
Bank Loan	18	**-**	-	-
Provisions	19	**(715)**	-	(715)
Corporation tax liability		**(440)**	-	(440)
Total current liabilities		**(28,584)**	(17,296)	(45,880)
Non-current liabilities				
Trade and other payables	17	**(2,432)**	2,432	-
Lease liabilities	13	**-**	(46,798)	(46,798)
Bank Loan	18	**-**	-	-
Provisions	19	**(370)**	-	(370)
Employee benefit liability	25	**(9,736)**	-	(9,736)
Total non-current liabilities		**(12,538)**	(44,366)	(56,904)
Total liabilities		**(41,121)**	(61,662)	(102,784)
Net assets		**31,431**	(4,153)	27,277
Equity attributable to equity holders of the company				
Called up share capital	22	**500**	-	500
Merger reserve		**2,662**	-	2,662
Cash flow hedge reserve		**1,645**	-	1,645
Retained earnings		**26,623**	(4,153)	22,470
Total equity and reserves		**31,430**	(4,153)	27,277

1. ACCOUNTING POLICIES CONTINUED

IFRS 16 transition note (continued)

Under previous lease accounting standards (IAS 17), lease costs were recognised on a straight-line basis over the term of the lease and the Group would have recognised these costs within operating expenses this would have been recognised in the 52 week period ended 3 October 2020 if IAS 17 had still been applied. Under IFRS 16 these costs have been removed and replaced with depreciation of the right of use assets and no rent costs in the profit and loss account, which has resulted in an additional charge of £3.2m for the year ended 3 October 2020.

The impact on net financing expense in the 52 week period ended 3 October 2020 was £1.7m.

The net impact of applying IFRS 16 to the profit for the period in the 52 week period ended 3 October 2020 was a reduction of £4.9m after tax. This difference to profit for the period represents a timing difference in the recognition of costs under IFRS 16 compared to IAS 17. IAS 17 recognises costs on a straight-line basis, whereas under IFRS 16 finance charges are recognised in relation to the value of the lease liability and costs will therefore reduce as the liability reduces.

The Group has adopted IFRS 16 Leases retrospectively from 6 October 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 6 October 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 5 October 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 5 October 2019 was 2.94% and was 1.82% at 3 October 2020. If the discount rate was changed by 0.13% this would result in an increase of liabilities in excess of £300,000.

The presentation of cash flows arising from leases where the Group is a lessor has also changed. Up to 5 October 2019, cash flows relating to such leases were treated as part of operating cash flow. On transition to IFRS 16, the cash flows relating to capital repayments are required to be presented as financing cash flows.

For leases previously classified as finance leases, the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 3 OCTOBER 2020 CONTINUED

1. ACCOUNTING POLICIES CONTINUED

IFRS 16 transition note (continued)

(i) Practical expedients applied on transition

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 6 October 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 6 October 2019 as short-term leases
- excluding initial direct costs for the measurement of the right of use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and Interpretation 4 determining whether an arrangement contains a Lease.

1. ACCOUNTING POLICIES CONTINUED

IFRS 16 transition note (continued)

(ii) Measurement of lease liabilities

The following is a reconciliation of total operating lease commitments at 5 October 2019 (as disclosed in the financial statements to 5 October 2019) to the lease liabilities recognised at 6 October 2019.

Total operating lease commitments disclosed at 5 October 2019	**51,070**
Recognition exemptions	£'000
Leases of low value assets	(14)
Leases with remaining lease term of less than 12 months	(95)
Contracts reassessed as lease contracts (prior year operating lease commitment errors)	**6,637**
Adjustments as a result of a different treatment of extension and termination options	12,313
Variable lease payments not recognised	-
Other adjustments relating to commitment disclosures	**(165)**
Operating lease liabilities before discounting	69,746
Discounted using incremental borrowing rate	(1,113)
Finance lease obligations	56
Total lease liabilities recognised under IFRS 16 at 6 October 2019	**68,689**

(iii) Other non-current assets

Sublease assets have been recognised in respect of finance leases under IFRS 16 for a number of the properties which are subleased to third parties. The finance lease is assessed by reference to the right of use asset under the head lease rather than the underlying asset. A number of subleases continue to be accounted for as operating leases which has resulted in no change to their accounting treatment under IFRS 16.

1. ACCOUNTING POLICIES CONTINUED

(iv) Lease liabilities

A lease liability is recognised under IFRS 16, representing the Group's contractual obligation to minimum lease payments during the lease term. The lease liability is initially measured at the present value of the remaining lease payments, discounted using the rates based on the Group's incremental borrowing rate. The weighted average discount rate used to discount the lease liability as at 5 October 2019 was 2.94 %. The element of the liability payable in the next 12 months is shown within current liabilities, with the balance shown in non-current liabilities.

(v) Amendment to IFRS 16 for COVID-19 related rent concessions

On 28 May 2020, the IASB issued COVID-19 related Rent Concessions - Amendment to IFRS 16 Leases (the amendment). The Board amended the standard to provide optional relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The amendments do not apply to lessors.

As a practical expedient, a lessee may elect not to assess whether a COVID-19 related lease concession from a lessor is a lease modification. A lessee that makes this election accounts for any qualifying change in lease payments resulting from the COVID-19related rent concession the same way it would account for the change under IFRS 16 if the change were not a lease modification. A lessee may elect to apply the practical expedient consistently to contracts with similar characteristics and in similar circumstances.

The Group received rent free periods or discounts on some property leases during the year. In addition, some rental payments were deferred. Such amendments have been accounted for as if the lease is unchanged and a separate lease liability recognised where payments have been deferred.

The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the conditions described in IFRS 16 paragraph 46B are met. This amendment was effective for financial periods beginning on or after 1 June 2020, however, this amendment has been adopted early by the Group as permitted.

The Group received discounts and free rental periods amounting to £0.2m which have been recognised as a credit in the income statement.

The Group has not factored the dilapidation provision into the right of use as the provision relates to general 'wear and tear' as opposed to structural charges. Under IFRS 16 cash payments for the lease liability are recognised within financing activities. In the prior period operating lease payments under IAS 17 are recognised in operating activities. This has no net impact on the cash flow.

1. ACCOUNTING POLICIES CONTINUED

Revenue

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

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

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.

The Directors reviewed the treatment of non-underlying items, it was not considered appropriate to show any non-underlying items for the current year or prior year.

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.

1. ACCOUNTING POLICIES CONTINUED

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.

Impairment of non-financial assets

The carrying values of non-financial assets are reviewed in conjunction with an independent third party 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.

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.
- Bank loan – external loan which is valued at its amortised cost and incurs interest.
- Finance costs are charged to the profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Derivative financial instruments and hedging activities

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

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

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

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

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

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

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

Deferred taxation

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

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

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

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. Dilapidations are not included in IFRS 16 as they relate to 'wear and tear' and not structural alterations to the buildings.

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.

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 25 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 £17,000. A decrease of one percentage point in the growth rate after year three would have resulted in an increase to the impairment charge of £7,000.

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.

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.

Discount rate - The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 5 October 2019 was 2.94% and was 1.82% at 3 October 2020. If the discount rate was changed by 0.13% this would result in an increase of liabilities in excess of £300,000.

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; and
- foreign exchange risk.

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

- trade and other receivables;
- cash and cash equivalents;
- forward foreign exchange contracts; and
- trade and other payables.

Fair value hierarchy

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

- Level 1: Quoted prices in active markets;
- Level 2: Level 1 quoted prices are not available, but fair value is based on observable market data; and
- Level 3: Inputs that are not based on observable market data.

3. FINANCIAL INSTRUMENTS – RISK MANAGEMENT CONTINUED

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

	52 weeks ended 3 October 2020 £'000	53 weeks ended 5 October 2019 £'000
Financial assets		
Financial assets at amortised cost		
Trade receivables	**582**	396
Other receivables	**690**	421
Cash and cash equivalents	**13,266**	11,417
Total receivables and cash	**14,538**	12,234
Financial assets at fair value through profit or loss	**34**	744
Financial assets at fair value through other comprehensive income	**(139)**	1,982
Total financial assets	**14,433**	14,960

	52 weeks ended 3 October 2020 £'000	53 weeks ended 5 October 2019 £'000
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	**17,316**	24,119
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	**17,316**	24,119

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 3 October 2020 and 5 October 2019.

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 3 October 2020 the Group has trade receivables of £582,000 (2019: £396,000).

£378,000 of the balance is monies due from on-line sales with a further £103,000 in respect of longstanding prepaid gift card providers. The remainder is balances owing from sub-let properties and charges due from a number of suppliers.

The Directors are unaware of any factors affecting the recoverability of outstanding balances at 3 October 2020 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. The Company has an overdraft facility of £3m and has taken advantage of a CLBILS loan (see note 18) to maintain cash balances through the COVID-19 pandemic.

Trade payables are repayable within 3 months. The Group prepares and maintains detailed cash flow forecasts to monitor cash requirements and manage liquidity risk.

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 3 October 2020	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Trade and other payables	**17,316**	**-**	**-**	**-**	**-**
Total financial liabilities	**17,316**	**-**	**-**	**-**	**-**

	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	24,119	-	-	-	-

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 contacts has been determined based on discounted market forward currency exchange rates at the balance sheet date.

Foreign Currency: Sensitivity Analysis

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

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

Positive figures represent an increase in profit or equity.

	Income Statement		**Equity**	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Sterling strengthens by 10%	**379**	692	**5,033**	4,412
Sterling weakens by 10%	**(463)**	(845)	**(6,151)**	(5,393)

3. FINANCIAL INSTRUMENTS – RISK MANAGEMENT CONTINUED

Year-end exchange rates applied in the above analysis are US Dollar 1.29 (2019: 1.23). 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 £12,351,000 (5 October 2019: £31,430,000).

The Group's objectives when maintaining capital are:

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

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

4. REVENUE

	52 weeks ended 3 October 2020	53 weeks ended 5 October 2019
	£'000	£'000
Revenue arises from:		
Sales of goods	**122,568**	162,047

5. EXPENSES BY NATURE

	52 weeks ended 3 October 2020 £'000	53 weeks ended 5 October 2019 £'000
Inventories recognised as an expense	**41,858**	52,198
Carriage charges on purchases	**1,800**	2,687
Duty charges on purchases	**3,940**	5,743
Employee benefit expenses	**33,054**	39,488
Depreciation and impairment charge of property, plant and equipment	**7,695**	6,199
Depreciation held on finance lease	**16**	2
Depreciation of right of use assets	**24,112**	-
Operating lease expense		
Land and buildings	**1,303**	21,364
Other	**82**	626
Loss on disposal of property, plant and equipment	**526**	92
Profit on disposal of Right of Use Asset	**(113)**	-
Administration expenses	**12,378**	19,619
Gain on Foreign Exchange	**(30)**	(385)
Other costs	**8,657**	7,567
	135,278	155,200

6. AUDITOR'S REMUNERATION

	52 weeks ended 3 October 2020 £'000	53 weeks ended 5 October 2019 £'000
The audit of the parent company	**10**	10
Audit of subsidiary financial statements pursuant to legislation	**55**	48
Other services	**-**	5
	65	63

7. EMPLOYEE BENEFIT EXPENSES

	52 weeks ended 3 October 2020	53 weeks ended 5 October 2019
	£'000	£'000
Employee benefit expenses (including Directors) comprise:		
Wages and salaries	**30,534**	36,363
Social security costs	**1,614**	2,061
Other pension costs	**906**	1,064
	33,054	39,488

Wages and salaries in 2020 incudes the benefit of furlough income £5,039,000.

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

	52 weeks ended 3 October 2020	53 weeks ended 5 October 2019
	No.	No.
Sales and distribution	**3,275**	3,351
Directors	**6**	7
Administration	**147**	161
	3,428	3,519

The average monthly number of full time equivalent employees during the period was 1,698 (2019: 1,737).

Shoe Zone plc does not employ any members of staff and has no staff costs during the period (2019: Nil).

	52 weeks ended 3 October 2020	53 weeks ended 5 October 2019
	£'000	£'000
Directors' remuneration, included in staff costs:		
Salaries and benefits	**851**	856
Pension contributions	**12**	37
	863	893
Information regarding the highest paid Director is as follows:		
Salary and benefits	**393**	303
	393	303

8. SEGMENTAL INFORMATION

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

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.The Directors now consider digital to be its own operating segment. Management reviews the performance of the Group by reference to total results against budget. The total profit measures are operating profit and profit for the year, both disclosed on the face of the consolidated income statement. No differences exist between the basis of preparation of the performance measures used by management and the figures in the Group financial statements.

	52 weeks ended 3 October 2020	53 weeks ended 5 October 2019
	£'000	£'000
Revenue		
United Kingdom stores	**100,098**	146,928
Digital	**19,296**	10,592
Republic of Ireland stores	**2,678**	3,838
Other	**496**	689
	122,568	162,047

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

	52 weeks ended 3 October 2020	53 weeks ended 5 October 2019
	£'000	£'000
Non-current assets by location:		
United Kingdom	**59,349**	22,124
Republic of Ireland	**5**	19
	59,354	22,143

Digital fixed and current assets have not been disclosed due to the immaterial value. The contribution is £4m (2019: £3.0m)

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 £5,617,000 (2019: £1,677,000) is unallocated.

9. FINANCE INCOME AND EXPENSES

	52 weeks ended 3 October 2020	53 weeks ended 5 October 2019
	£'000	£'000
Finance income		
Interest receivable	**10**	44
Total finance income	**10**	44
Finance expense		
Interest expense on lease liability	**(1,684)**	-
Net interest expense on defined benefit pension scheme	**(163)**	(172)
Loan interest	**(50)**	-
Other finance expense	**(4)**	(20)
Total finance expense	**(1,901)**	(192)

10. INCOME TAX

	52 weeks ended 3 October 2020	53 weeks ended 5 October 2019
	£'000	£'000
Current tax expense		
Current tax on (loss)/profits for the period	**-**	1,442
Adjustment for (over) / under provision in prior periods	**(20)**	(64)
Total current tax (credit)/expense	**(20)**	1,378
Deferred tax expense		
Adjustment for (over) provision in prior periods	**(994)**	(348)
Origination and reversal of temporary differences (note 21)	**(1,684)**	(45)
(Credit)/Tax charge on (loss)/profit on ordinary activities	**(2,698)**	985

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:

	52 weeks ended 3 October 2020	53 weeks ended 5 October 2019
	£'000	£'000
(Loss)/Profit for the period	**(11,903)**	5,714
Income tax expense	**(2,698)**	985
(Loss)/Profit before income taxes	**(14,601)**	6,699
Expected tax charge based on corporation tax rate of 19% (05 October 2019: 19%)	**(2,774)**	1,273
Expenses not deductible for tax purposes	**956**	119
Effective change of rate	**134**	6
Adjustments to tax charge in respect of previous period	**(1,014)**	(413)
Total tax expense	**(2,698)**	985

Factors that may affect future tax charges:

There were no factors that may affect future tax charges.

11. DIVIDENDS

	53 weeks ended 5 October 2019 **£'000**	53 weeks ended 5 October 2019 £'000
Dividends paid during the year at Nil (2019: 19.5p) per share	**Nil**	9,750

No final dividend is proposed for shareholders on the register (2019: 8.0p) per share.

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 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
Additions	-	590	-	2,219	-	2,809
Disposals	-	(1,485)	-	(1,943)	-	(3,428)
Impairments	-	-	-	-	-	-
Assets under construction	-	125	-	235	(360)	-
At 3 October 2020	**6,249**	**19,910**	**114**	**37,981**	**-**	**64,254**
Depreciation						
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
Charge for the period	54	1,043	22	2,426	-	3,545
Disposals	-	(1,335)	-	(1,819)	-	(3,154)
Impairments	2,447	717	-	1,002	-	4,166
At 3 October 2020	**3,624**	**14,937**	**47**	**28,679**	-	**47,287**
Net book value						
At 3 October 2020	**2,625**	**4,973**	**67**	**9,302**	**-**	**16,967**
At 5 October 2019	5,126	6,168	89	10,400	360	22,143
At 30 September 2018	7,703	4,807	16	8,577	-	21,103

13. LEASES

The majority of the Company's trading stores are leased under operating leases. The Group also has a number of non-property operating leases relating to vehicles and an item of equipment in the Distribution Centre.

Information about leases for which the Company is a lessee is presented below:

	Property	**Motor vehicles and equipment**	Total
	£'000	**£'000**	£'000
Cost			
Balance at 5 October 2019	60,528	1,134	61,662
Additions	5,435	271	5,706
Disposals	(1,159)	(2)	(1,161)
At 3 October 2020	**64,804**	**1,403**	**66,207**
Depreciation			
Balance at 5 October 2019	-	-	-
Charge for the period	18,456	521	18,977
Disposals	(292)	-	(292)
Impairment	5,135	-	5,135
At 3 October 2020	**23,299**	**521**	**23,820**
Net book value			
At 3 October 2020	**41,505**	**882**	**42,387**
At 5 October 2019	60,528	1,134	61,662

13. LEASES CONTINUED

The Group costs for those leases for which the practical expedient was applied described in Accounting Policies: IFRS 16 Leases, amounted to £292,000 in the 52 weeks ended 3 October 2020.

The table below sets out the maturity analysis of future lease payments:

Maturity analysis – contracted undiscounted cash flows	**3 October 2020**	5 October 2019
	£'000	£'000
Less than one year	**16,660**	30,887
Between one and five years	**32,454**	31,119
More than five years	**6,986**	6,549
Total undiscounted lease liabilities	**56,100**	68,555
Carrying value of lease liabilities included in balance sheet	**57,389**	-
Current	**19,914**	-
Non-current	**37,475**	-

Operating Leases

The Group has a number of stores on short-term rental and a small number of outlets where a subsection are sublet to third parties at a contracted rate. The Group has classified these leases as operating leases because they do not transfer substantially all the risks and rewards of the right of use asset.

In line with IAS36 the carrying value of the right of use-asset is assessed for impairment and booked where necessary. See note 23.

14. INVENTORIES

	3 October 2020	5 October 2019
	£'000	£'000
Goods for resale	26,295	27,838
Shop fitting materials and other consumables	403	673
	26,698	28,511

15. TRADE AND OTHER RECEIVABLES

	3 October 2020	5 October 2019
	£'000	£'000
Trade receivables	582	396
Prepayments	1,463	5,261
Other receivables	690	421
	2,735	6,078

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

16. DERIVATIVE FINANCIAL INSTRUMENTS

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

	3 October 2020	5 October 2019
	£'000	£'000
Derivative financial assets/liability		
Derivatives not designated as hedging instruments	34	744
Derivatives designated as hedging instruments	(139)	1,982
	(105)	2,726

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 3 October 2020 were $71,250,000 (5 October 2019: $59,700,000). 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 is market rates of financial instruments at the balance sheet date.

17. TRADE AND OTHER PAYABLES

	3 October 2020	5 October 2019
	£'000	£'000
Current		
Trade payables	**6,401**	12,335
Social security and other taxes	**440**	2,097
Other payables and finance lease liability	**426**	708
Accruals	**10,049**	12,289
	17,316	27,429

	3 October 2020	5 October 2019
	£'000	£'000
Non-current		
Accruals	**-**	2,432
	-	2,432

Non-current accruals for prior year relate to rental liabilities, these are now included in IFRS 16 (note 13).

18. LOANS

	3 October 2020	5 October 2019
	£'000	£'000
Amounts falling due within one year		
Bank Loans	**1,944**	-
Amounts falling due within 1-2 years		
Bank loans	**2,333**	-
Amounts falling due within 2-5 years		
Bank loans	**2,723**	-
	7,000	-

The bank loan is provided by National Westminster Bank plc under their COVID-19 Large Business Interruption Scheme. The loan is repayable over 36 monthly payments of £194,000. It is subject to an interest rate of 1.22% over base increasing to 1.72% over base rate in May 2021.

After the year-end the Group extended the loan by a further £5 million. National Westminster Bank plc holds a fixed and floating charge over the Group's property and assets.

19. PROVISIONS

	Customer Returns	Dilapidations	Total
	£'000	£'000	£'000
As at 5 October 2019	41	1,044	1,085
Additions	28	1,797	1,825
Amounts utilised	(41)	(138)	(179)
Amounts released	-	-	-
As at 3 October 2020	**28**	**2,703**	**2,731**

The provisions are aged as follows:

	Customer Returns	Dilapidations	Total
	£'000	£'000	£'000
Current	28	1,443	1,471
Non-current	-	1,260	1,260
As at 3 October 2020	**28**	**2,703**	**2,731**

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.

20. 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 (5 October 2019: £800,000).

21. DEFERRED TAX

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19% (5 October 2019: 17%).

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

	3 October 2020 £'000	5 October 2019 £'000
At beginning of the period	**1,677**	703
Recognised in income statement:		
Tax expense (note 10)	**2,678**	393
Recognised in other comprehensive income:		
Actuarial gain / loss on defined benefit pension schemes	**899**	707
Cashflow hedge	**363**	(126)
At end of the period	**5,617**	1,677

The deferred tax has arisen due to the following:	3 October 2020 £'000	5 October 2019 £'000
Accelerated capital allowances	**1,361**	1,279
Ineligible buildings	**(540)**	(920)
Short term timing differences	**26**	(337)
Loss for the financial year	**2,126**	-
IFRS 16 transitional adjustment	**631**	-
Defined benefit pension scheme	**2,013**	1,655
	5,617	1,677

The Group has an unrecognised deferred tax asset £989,000 as at 3 October 2020 (5 October 2019: £885,000).

There are estimated losses available to offset against future capital taxable profits amounting to approximately £11.0m (5 October 2019: Nil).

22. SHARE CAPITAL

	3 October 2020	5 October 2019
	£'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.

23. 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:

	Property	Property
	3 October 2020	5 October 2019
	£'000	£'000
Expense relating to short-term leases	**292**	-
Expense relating to variable lease payments	**29**	-
	321	-

The majority of leases are now included within IFRS 16 (note 13).

23. LEASES 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
	3 October 2020	5 October 2019
	£'000	£'000
Not later than one year	**16**	11
Later than one year and not later than five years	**48**	45
Later than five years	**-**	-
	64	56

Finance leases are secured on the assets to which they relate to. The net book value of assets held under finance lease is £62,000 (2019: £78,000).

24. CAPITAL COMMITMENTS

	3 October 2020	5 October 2019
	£'000	£'000
Contracted for but not provided	**Nil**	28

25. PENSION COSTS

Defined contribution scheme

The Group operates a defined contribution pension scheme namely Shoe Zone Worksave Pension Plan contributions amounted to £906,000 (05 October 2019: £1,064,000).

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. There have been no contributions to the scheme this year, last year was also nil.

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 3 October 2020

	3 October 2020	5 October 2019
	£'000	£'000
Fair value of assets	**87,850**	86,683
Present value of funded obligations	**(94,724)**	(92,232)
Impact of asset ceiling	**(3,720)**	(4,187)
Deficit	**(10,594)**	(9,736)

25. PENSIONS CONTINUED

Amounts recognised in other comprehensive income

	3 October 2020 £'000	5 October 2019 £'000
Return on plan assets	**1,360**	9,311
Actuarial gains arising from changes in:		
Demographic assumptions	**277**	(206)
Financial assumptions	**(4,293)**	(14,005)
Experience losses	**-**	2,561
Total actuarial gain	**(4,016)**	(11,650)
Impact of asset ceiling	**542**	(1,838)
Deferred tax on employee benefit scheme	**899**	707
Total amount recognised in other comprehensive income	**(1,215)**	(3,470)

25. 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

	3 October 2020	5 October 2019
Life expectancy	**Years**	Years
Male currently aged 45	**88.7**	88.5
Female currently aged 45	**90.4**	90.2
Male currently aged 65	**86.9**	86.7
Female currently aged 65	**88.9**	88.6

Financial assumptions

	3 October 2020	5 October 2019
	%	%
Deferred pension revaluation	**2.40**	2.55
Pension increases	**3.10**	3.40
Discount rate	**1.40**	1.80
Consumer Price Index	**2.40**	2.55
Retail Price Index	**3.20**	3.55

The weighted average duration of the defined benefit obligation for the Shoe Zone scheme at 3 October 2020 is 14 years (5 October 2019: 17 years).

The weighted average duration of the defined benefit obligation for the Shoefayre scheme at 3 October 2020 is 16 years (5 October 2019: 19 years).

25. 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	**3 October 2020**	5 October 2019
Equities	**17%**	16%
Property	**0%**	9%
Gilts/bonds	**17%**	16%
Cash	**11%**	0%
Diversified Growth Funds	**33%**	35%
Liability Driven Investment	**22%**	24%
	100%	100%

The actual return on the Scheme's assets net of expenses over the period to the review date was a gain of £2,288,000 (5 October 2019: £7,253,000).

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.

23. PENSIONS CONTINUED

Amounts recognised in the income statement over the period

	3 October 2020 £'000	5 October 2019 £'000
Interest cost	**(859)**	(1,284)
Expected return on assets	**934**	1,352
Interest on asset restriction	**(75)**	(68)
	-	-

Amounts recognised in the statement of financial position

	3 October 2020 £'000	5 October 2019 £'000
Fair value of assets	**53,264**	52,822
Present value of funded obligations	**(49,544)**	(48,635)
Surplus	**3,720**	4,187
Impact of asset ceiling	**(3,720)**	(4,187)
Net defined benefit liability	**-**	-

25. PENSIONS CONTINUED

Defined benefit scheme - Shoe Zone Pension Scheme (continued)

Amounts recognised in other comprehensive income

	3 October 2020	5 October 2019
	£'000	£'000
Return on plan assets	**1,354**	5,901
Actuarial (loss) / gains arising from changes in:		
Demographic assumptions	**171**	1,378
Financial assumptions	**(2,066)**	(7,206)
Total actuarial (loss) / gain	**(1,895)**	(5,828)
Changes in effect of asset ceiling	**542**	(1,838)
Deferred tax on employee benefit scheme	**198**	19
Total amount recognised in other comprehensive expense	**199**	(1,746)

Reconciliation of assets and defined benefit obligation

The change in assets over the period was:

	3 October 2020	5 October 2019
	£'000	£'000
Fair value of assets at the beginning of the period	**52,822**	47,381
Expected return on assets	**934**	1,352
Company contributions	**46**	102
Benefits paid	**(1,892)**	(1,914)
Actuarial gain	**1,354**	5,901
Fair value of assets at the end of the period	**53,264**	52,822

25. PENSIONS CONTINUED

Defined benefit scheme - Shoe Zone Pension Scheme (continued)

The change in defined benefit obligation over the period was:

	3 October 2020	5 October 2019
	£'000	£'000
Defined benefit obligation at the beginning of the period	**48,635**	45,091
Interest cost	**859**	1,284
Benefits paid	**(1,892)**	(1,914)
Actuarial loss	**1,942**	4,174
Defined benefit obligation at the end of the period	**49,544**	48,635

During 2020 contributions of £46,000 were made.

Sensitivity of the value placed on the liabilities:

Adjustments to assumptions	**Approximate effect on liabilities**
Discount rate	
Plus 0.50%	-7.0%
Minus 0.50%	8.0%
Inflation	
Plus 0.50%	2.0%
Minus 0.50%	-1.0%
Life Expectancy	
Plus 1.0 years	4.0%
Minus 1.0 years	-4.0%

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.

25. PENSIONS CONTINUED

Defined benefit scheme - Shoefayre Limited Pension and Life Assurance Scheme

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

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

Asset Category	3 October 2020	5 October 2019
Equities	**21%**	19%
Property	**0%**	11%
Gilts/bonds	**9%**	9%
Cash	**4%**	0%
Diversified Growth Funds	**44%**	38%
Liability Driven Investment	**22%**	23%
	100%	100%

The actual return on the Scheme's assets net of expenses over the period to the review date was a gain of £616,000 (5 October 2019: £4,277,000). The assets do not include any investments in shares of the company.

The expected return on assets is a weighted average of the assumed long-term returns available on high quality corporate bonds in line with the method used to value the liabilities. Equity and property returns are developed based on the selection of an appropriate risk premium above the risk free rate which is measured in accordance with the yield on the government bonds. Bond returns are selected by reference to the yields on the government and corporate debt, as appropriate to the scheme holdings of these instruments. The expected returns on the Target Return Funds are equal to the fund's targets.

Amounts recognised in the statement of financial position

	3 October 2020	5 October 2019
	£'000	£'000
Fair value of assets	**34,586**	33,861
Present value of funded obligations	**(45,180)**	(43,597)
Net liability	**(10,594)**	(9,736)

25. PENSIONS CONTINUED

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

Amounts recognised in other comprehensive income

	3 October 2020 £'000	5 October 2019 £'000
Gain / (loss) on plan assets	**6**	3,410
Actuarial (loss) / gains arising from changes in:		
Demographic assumptions	**106**	(1,584)
Financial assumptions	**(2,227)**	(6,799)
Total actuarial (loss) / gain	**(2,121)**	(8,383)
Deferred tax on employee benefit scheme	**701**	688
Total amount recognised in other comprehensive income	**(1,414)**	(4,285)

Amounts recognised in the income statement over the period

	3 October 2020 £'000	5 October 2019 £'000
Interest cost	**(773)**	(1,039)
Expected return on assets	**610**	867
	(163)	(172)

25. PENSIONS CONTINUED

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

Reconciliation of assets and defined benefit obligation

The change in assets over the period was:

	3 October 2020	5 October 2019
	£'000	£'000
Fair value of assets at the beginning of the period	**33,861**	30,036
Expected return on assets	**610**	867
Employer contributions	**1,420**	779
Benefits paid	**(1,311)**	(1,231)
Actuarial gain / (loss) on assets	**6**	3,410
Fair value of assets at the end of the period	**34,586**	33,861

The change in defined benefit obligation over the period was:

	3 October 2020	5 October 2019
	£'000	£'000
Defined benefit obligation at the beginning of the period	**43,597**	36,332
Interest cost	**773**	1,039
Benefits paid	**(1,311)**	(1,231)
Actuarial loss on obligation	**2,121**	7,457
Defined benefit obligation at the end of the period	**45,180**	43,597

During 2020 contributions of £1,420,000 were made.

25. 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%	-8.0%
Minus 0.50%	10.0%
Inflation	
Plus 0.50%	5.0%
Minus 0.50%	-4.0%
Life Expectancy	
Plus 1.0 years	4.0%
Minus 1.0 years	-4.0%

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.

26. CASH AND CASH EQUIVALENTS

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

	3 October 2020	5 October 2019
	£'000	£'000
Cash at banks and in hand	**13,266**	11,417
Cash and cash equivalents	**13,266**	11,417

27. RELATED PARTY TRANSACTIONS

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

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

	52 weeks ended 3 October 2020	53 weeks ended 5 October 2019
	£'000	£'000
Rent paid to Zone Executive Pension Scheme	**147**	163
Contributions to the:		
Shoe Zone Worksave Pension Plan	**872**	1,064
Shoe Zone Pension Scheme	**46**	111
Shoefayre Limited Pension and Life Assurance Scheme	**1,350**	779
	2,415	2,117

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

	52 weeks ended 3 October 2020	53 weeks ended 5 October 2019
	£'000	£'000
Short term employee benefits	**851**	856
Post-employment benefit	**12**	37
Employers national insurance	**111**	168
	974	1,061

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

28. EARNINGS PER SHARE

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

	52 weeks ended 3 October 2020	53 weeks ended 5 October 2019
	£'000	£'000
Numerator		
Loss)/Profit for the year and (Loss)/earnings used in basic and diluted EPS	**-**	5,714

As the company recorded a loss this year the EPS is nil.

	52 weeks ended 3 October 2020	53 weeks ended 5 October 2019
	No.	No.
Denominator		
Weighted average number of shares used in basic and diluted EPS	**50,000,000**	50,000,000

29. ANALYSIS OF NET DEBT

	6 October 2019	Cashflows	Loan advance	Loan repayment	3 October 2020
Cash at bank and in hand	11,417	1,849	-	-	13,266
Bank loan			(10,000)	3,000	(7,000)
	11,417	**1,849**	**(10,000)**	**3,000**	**6,266**

30. ULTIMATE CONTROLLING PARTY

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

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 3 OCTOBER 2020

	Note	**3 October 2020**	5 October 2019
		£'000	£'000
Fixed assets			
Investments	2	**68,644**	68,644
		68,644	68,644
Current assets			
Debtors	3	**12**	65
		12	65
Creditors: amounts falling due within one year	4	**(1,695)**	(1,571)
Net current liabilities		**(1,683)**	(1,506)
Net assets		**66,961**	67,138
Capital and reserves			
Called up share capital	5	**500**	500
Merger reserve	6	**586**	586
Profit and loss account	6	**65,875**	66,052
Total shareholders' funds		**66,961**	67,138

The company made a loss during the year of £177,000 (2019: profit of £9,551,000).

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

Anthony Smith
Chief Executive
Date: 5 March 2021

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE 52 WEEKS ENDED 3 OCTOBER 2020

	Share capital	Merger reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000
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	-	-	(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
Loss for the period	-	-	(177)	(177)
Total comprehensive income for the period	-	-	(177)	(177)
Dividends paid during the year (note 6)	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-
At 3 October 2020	**500**	**586**	**65,875**	**66,961**

Share capital comprises nominal value of shares subscribed for.

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

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 3 OCTOBER 2020

1. ACCOUNTING POLICIES

Basis of preparation

The Company's financial period is 52 weeks ended 3 October 2020. The financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The Company has taken advantage of the exemption contained in Section 408(4) of the Companies Act 2006 from presenting its own profit and loss accounts. The loss dealt with in the accounts of the Company was £177,000 (5 October 2019: profit of £9,551,000).

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.

The directors review the forecast and budgets of the subsidiaries held and review any necessary impairments.

2. FIXED ASSET INVESTMENTS

	3 October 2020	5 October 2019
	£'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	Non-trading 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 Haramead Business Centre, Humberstone Road, Leicester, LE1 2LH.

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 3 OCTOBER 2020 CONTINUED

3. DEBTORS

	3 October 2020 £'000	5 October 2019 £'000
Prepayments	**4**	10
Other debtors	**8**	55
	12	65

4. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	3 October 2020 £'000	5 October 2019 £'000
Amounts owing to group undertakings	**1,660**	1,549
Accruals	**35**	22
	1,695	1,571

5. SHARE CAPITAL

	3 October 2020 £'000	5 October 2019 £'000
Allotted, called up and fully paid:		
50,000,000 ordinary shares of 1p each	**500**	500
	500	500

6. RESERVES

	Merger reserve	Profit and loss account
	£'000	£'000
At 5 October 2019	586	66,052
Loss for the financial period	-	(177)
Dividends paid during the year	-	-
At 3 October 2020	**586**	**65,875**

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
J C P Smith
M J Collins
V J Norrish
(appointed 28 August 2020)
P J L Foot
(appointed 23 July 2020, resigned 19 February 2021)
J L Fearn
(resigned 31 July 2020)
J W Sharman
(resigned 26 August 2020)
C J Caminada
(resigned 24 March 2020)

Secretary

C A Bowen

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

NatWest
1 Granby Street
Leicester
LE1 9GT

Registrar

Link Group
10th Floor
Central Square
29 Wellington Road
Leeds
LS1DL

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 Haramead Business Centre, Humberstone Road, Leicester, Leicestershire LE1 2LH on Wednesday 31 March 2021 at 10.00 a.m. to consider and, if thought fit, pass the resolutions set out below. Resolutions 1 to 10 will be proposed as ordinary resolutions and Resolutions 11 to 13 will be proposed as special resolutions.

1. To receive and adopt the Company's annual accounts for the financial period ended 3 October 2020 and the associated reports of the Directors of the Company and the auditors of the Company.

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

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

4. To elect Terry Boot as a Director.

5. To re-elect Malcolm Collins as a Director.

6. To elect Victoria Norrish as a Director.

7. To re-appoint Cooper Parry Group Limited 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 2022.

8. To authorise the Directors of the Company to determine the remuneration of Cooper Parry Group Limited as auditors of the Company.

9. 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 in total;

   (b) make political donations to political organisations other than political parties, not exceeding £50,000 in total; and

   (c) incur political expenditure, not exceeding £50,000 in total, such authority to expire on the earlier of 31 March 2022 and the conclusion of the annual general meeting of the Company to be held in 2022. 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.

10. 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 2022 and the conclusion of the annual general meeting of the Company to be held in 2022, 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.

11. That, subject to the passing of Resolution 10 proposed at the annual general meeting of the Company convened for 31 March 2021 ('**Resolution 10**') and in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date of the passing of this resolution, the Directors of the Company be and are hereby generally empowered pursuant to sections 570 and 573 of the Companies Act 2006 (the '**Act**') to allot equity securities (within the meaning of section 560(1) of the Act) (including the grant of rights to subscribe for, or to convert any securities into, ordinary shares of £0.01 each in the capital of the Company ('**Ordinary Shares**')) for cash pursuant to the authorities conferred by Resolution 10 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 10, 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 2022 and the conclusion of the annual general meeting of the Company to be held in 2022, 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.

12. That, subject to the passing of Resolution 10 proposed at the annual general meeting of the Company convened for 31 March 2021 ('**Resolution 10**') and in addition to any authority granted pursuant to Resolution 11 proposed at the annual general meeting of the Company convened for 31 March 2021, 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 10 and/or by way of a sale of treasury shares within the meaning of section 560(3) of the Act, as if section 561(1) of the Act did not apply to any such allotment or sale, provided that this power shall be:

(a) limited to the allotment of equity securities and the sale of treasury shares for cash up to an aggregate nominal amount of £25,000; 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 2022 and the conclusion of the annual general meeting of the Company to be held in 2022, 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.

13. 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 5,000,000;

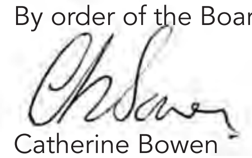
(b) the price that may be paid by the Company for any of its Ordinary Shares shall not be less than £0.01, being the nominal value of each Ordinary Share, and shall not be greater than the higher of, exclusive of expenses:

(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 2022 and the conclusion of the annual general meeting of the Company to be held in 2022, save that the Company may before such expiry make an offer or enter into an agreement which would or might require such purchases of Ordinary Shares to be carried out after such expiry and the Directors may carry out such purchases in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

By order of the Board



Catherine Bowen
Company Secretary
Date: 5 March 2021

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

NOTES

1. ATTENDING THE ANNUAL GENERAL MEETING IN PERSON

Although in normal circumstances members are encouraged to attend the Annual General Meeting in person, in light of the current UK Government guidance restricting gatherings, members are requested not to attend the Annual General Meeting in person and those arriving at the venue will not be permitted access to the Annual General Meeting. If these arrangements change, members will be notified by the Company via Regulatory Information Service.

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. However, in light of the restrictions on attendance at the Annual General Meeting outlined above, we strongly encourage all shareholders to exercise their vote by appointing the Chairman of the Annual General Meeting as their proxy and providing voting instructions in advance of the Annual General Meeting.

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 Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL or by telephone on 0371 664 0391 if calling from the United Kingdom, or +44(0)371 664 0391 if calling from outside the United Kingdom. Calls are charged at the standard geographical rate and will vary by provider. 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. (London time) Monday to Friday excluding public holidays in England and Wales.

However, please note the restrictions on attendance at the Annual General Meeting outlined above and the impact this will have on multiple proxy appointments. 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.

In usual circumstances, the appointment of a proxy will not prevent a member from attending the Annual General Meeting and voting in person if he or she wishes. However, as highlighted above, in light of the continuing guidelines restricting social gatherings as a result of COVID-19, members are requested not to attend the Annual General Meeting and restrictions on entry will be in place.

4. APPOINTMENT OF A PROXY USING A FORM OF PROXY

Members may request a hard copy proxy form directly from Registrar on 0371 664 0330. (Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines open between 09:00 – 17:30 (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). Please, however, note the restrictions on attendance at the Annual General Meeting in light of the ongoing COVID-19 restrictions. In light of these restrictions, corporate members are encouraged to appoint the Chairman of the Annual General Meeting as their proxy and to provide voting instructions in advance of the Annual General Meeting.

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 29 March 2021 (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. Please, however, note the restrictions on attendance at the Annual General Meeting in light of the ongoing COVID-19 restrictions.

9. VOTING RIGHTS

As at 2 March 2021 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 2 March 2021 were 49,987,122 votes.

Shoe Zone plc

Annual Report & Accounts 2020

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