



2018

shoezone

Annual Report & Accounts

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

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Financial Highlights

REVENUE
(2017: £157.8M)

£160.6m

FINAL DIVIDEND
(2017: 6.8P)

8.0p

STATUTORY PBT
(2017: £9.5M)

£11.3m

SPECIAL DIVIDEND
(2017: NIL)

8.0p

NET CASH
(2017: £11.8M)

£15.7m

TOTAL DIVIDEND
(2017: 10.2P)

19.5p

PRODUCT GROSS MARGIN
(2017: 63.2%)

62.9%

TOTAL YIELD
(BASED ON SHARE PRICE 29/9/18)

11.3%



Chief Executive's report

“ I am pleased to report that 2018 has been another successful year for Shoe Zone. The strength of the core business model, combined with the focus on growth through the Big Box roll out and Digital channels, gives me confidence that Shoe Zone will continue to deliver positive results and returns for shareholders in the future. ”

The business delivered revenue growth of 1.8% at £160.6m (2017: £157.8m) and continues to generate cash effectively with cashflow from operations up 7.2% to £15.0m (2017: £14.0m) from a robust debt free balance sheet.

Statutory profit before tax has increased 18.4% from £9.5m to £11.3m, the highest annual performance since flotation in 2014, reflecting strong performance throughout the business. Diluted earnings per share increased 20.7% from 15.8p to 19.0p.

Dividends

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

For the year ended 29 September 2018, the board is proposing to pay out 60% of post-tax earnings as a normal dividend. This results in a final dividend of 8p per share (2017: 6.8p), giving a total dividend for the year of 11.5p (2017: 10.2p) per share.

Chief Executive's Report **CONTINUED**

In addition, I am pleased to confirm a special dividend of 8p per share, returning £4m of surplus cash to shareholders.

The dividends will be paid to shareholders on the register on 1 March 2019, payable on 20 March 2019 if approved at the Annual General Meeting which will be held on 7 March 2019. The shares will go ex-dividend on 28 February 2019.

Strategy

The Shoe Zone strategy has three key objectives

- Growth through Big Box
- Growth through Operational Excellence
- Growth through Digital

Growth through Big Box

The Big Box portfolio has expanded by 10 stores to a total of 19 stores operational at year end (25 stores operational by 31 December 2018). Following the successful trial, the concept now provides a clear path for growth through diversification into out of town retail and a proposition attractive to a more affluent customer base. The pipeline of new store openings is well developed and it is anticipated that this will further grow and accelerate during 2019, with a target of 20 stores opening during the coming calendar year. Big Box stores are already delivering a significant contribution to the Group's revenue and profits with £7.1m of revenue and £0.4m of profit contribution in the period, representing 4.4% of total revenue and over 2.3% of branch cash contribution during 2018.

The profitability and payback of the Big Box stores continue to be a focus for the business. During 2018 we redesigned the in-store fixtures so that they can be used across the full Shoe Zone estate. The new 'Unity' equipment has resulted in capital expenditure savings of over £50k per Big Box.

During the year we also added new brands into the Big Box range. Wrangler and Crocs have now joined Skechers and Clarks amongst others, to provide a premium offering that complements the core own-brand Shoe Zone styles. In the Spring Summer range for 2019 we will also offer an own label premium range 'Lilley and Skinner' in Ladies shoes, which will provide a higher gross margin.



Chief Executive's Report **CONTINUED**

Growth through Operational Excellence

Systems

During 2018 we successfully rolled out new till hardware and software upgrades which improved the speed of transactions in store, reduced the need for paper forms and increased digital integration in store. Customers wishing to join the email database are now able to enter their own details using the new customer facing touch screens.

The software upgrades further enhance our already market leading systems, all of which are programmed and managed by our in house IT department. During 2019 we will bring the Group's warehouse management system in house meaning that all operational systems will be controlled within Shoe Zone.

Systems across the business are fully integrated so that we have a single view of stock across retail, the warehouse and digital. We can also identify when we need to recall stock from stores with low sales or a fragmented size range and consolidate and reallocate to better stores. On average we recall 30,000 pairs per week.

During the past 12 months we have also further enhanced our stock and picking systems to enable consolidation of digital and main warehouse stock therefore increasing picking efficiency and supporting flexibility of tasks within the warehouse teams. Within our Distribution Centre, we hold on average 1,000,000 pairs with throughput of 800,000 pairs per week. We achieved a pick accuracy of 99.96% in 2018.

Product

We remain committed to offering our customers the best possible value and have maintained key price points for our core value lines. We have increased the number of lines in "Multi-Buy" deals (e.g. '2 for £20'), which alongside on-going range improvements has increased average transaction value by 4.7% during the year to £12.98.



Chief Executive's Report **CONTINUED**

Direct sourcing continues to grow with footwear orders placed directly with overseas factories increasing to 85.0% (2017: 84.7%) of total footwear orders. Working closely with our source of manufacture has helped maintain high gross product margins as well as improving communication and control across the supply chain. A demonstration of our commitment to quality is shown by our complaints level of less than 1%, which is half of the industry average.

Our 'right price, first time' strategy which helps control the amount of markdown value as a percentage of turnover, continues to ensure we remain one of the industry leaders in low levels of markdown at 7.9% (2017: 7.6%).

Store Portfolio

We ended the year operating from 492 stores having opened 16 and closed 20 during the period. 10 of the openings were the continued roll out of Big Box and the remaining six were the new Unity Town Centre format.

The core estate continues to be invested in and refreshed. Total capital spend of £5.1m included the 16 new openings, 23 full refits, continued rebranding of the estate and the roll out of new tills. This capital outlay was partially offset by £1.5m in rent free during the first year of opening.

The focus on managing property costs has resulted in rents at the lease renewal date falling by 23.1% in the 12 month period (2017: reduction of 24.5%) delivering £431k of annual savings. We expect that this trend will continue as supply in the retail property market continues to outstrip demand.

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



Chief Executive's Report **CONTINUED**

Growth through Digital

Digital continues to be a key area of focus and growth for the business. Our market leading customer offer provides the choice of ordering on-line or in-store, and to have products delivered free of charge, with no minimum spend limit, or to click and collect from a Shoe Zone store. Returns can be made either free to store or our Distribution Centre.

Digital revenue has increased 19.9% year on year to £9.8m (2017: £8.2m) representing 6.1% of revenue and now delivers over £2.6m (2017: £2.0m) profit contribution before Head Office apportioned costs, representing 23.1% of total profit.

Shozone.com has had another successful year and we continue to see the gradual shift towards mobile devices. Mobile and tablet visits now represent 79.0% (2017: 78.9%) of all website visits.

We continue to focus on engaged customers and emails sent have increased by 26.2%, resulting in a sales increase of 18.8% on the prior year, now accounting for 7.8% of all site revenue. The new in-store tills rolled out as part of the Operational Excellence strategy allow customers to enter their own email addresses using the customer facing touch screen, therefore reducing the time required to register new customers.

Overall conversion rates remained broadly static at 4.13% over the full year (2017: 4.18%). The 'mobile first' design and implementation continues to deliver strong results with an increase in conversion to 3.68% (2017: 3.55%), however desktop conversion has fallen marginally.

In addition to growth in sales, we continue to manage the profitability of our Digital channel. During 2018, we have introduced an integrated management structure under our new Operations Director, aligning both Retail and Digital warehouse activities and consolidation of stock into single pick locations.

Digital purchase returns continue to be low at less than 11% of online sales with 90% of these returns being taken back to store rather than the Distribution Centre.

Social Responsibility

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

During 2018 Shoe Zone plc donated over £100,000 to charitable causes. We also continue to support BBC Children in Need and the enthusiasm and commitment of our colleagues has resulted in us collectively raising over £650,000 for our chosen charity in the last five years.

We recognise the impact of our activities on the environment and recycle as much of our waste as possible. We are actively reducing the use of plastic within our stores and the delivery lorries return used cardboard, plastics, fluorescent lighting tubes and obsolete equipment for reuse or recycling.

Chief Executive's Report **CONTINUED**

In our refits we are now using LED lighting in order to reduce energy consumption and are also working with the shoe manufacturers to reduce the use of single use plastics in packaging of new products.

We are also transitioning our car fleet to hybrid cars wherever possible.

Current trading and Outlook

The outlook for consumer spending remains challenging with the difficult economic conditions likely to continue. Despite this, we are well positioned given our strong value retail proposition that has proven to be robust in challenging market conditions.

We have continued to manage the store portfolio having opened six new Big Box stores and refitted a further four Shoe Zone stores since year-end. In total, we are targeting to have 45 Big Box stores open by December 2019 of which there are currently 12 with provisional opening dates. A further 35 full refits are planned for the remainder of the year.

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

Shoe Zone has made a solid start to the year and is trading ahead of previous market expectations. We are making good progress against our strategic objectives and the Board remains positive about the outlook for the remainder of the year.



Financial Review

In the 52 weeks to 29 September 2018, Profit before Tax increased from £9.5m to £11.3m, an increase of 18.4%. This is due to strong trading in all areas of the business, supported by stability in the exchange rate across the year. Earnings per share increased by 20.7% to 19.0p (2017: 15.8p).

Revenues increased by 1.8% to £160.6m (2017: £157.8m). This reflects solid trading throughout the portfolio supported by digital growth and new openings of Big Box stores.

Overall store numbers reduced by a net four branches to 492 at the year end (2017: net 14 branches closed leaving a total of 496).

Digital growth has proved strong with revenues increasing by 19.9% (2017: 34.5%), and this has now developed to account for 6.1% of total sales (2017: 5.3%). Profit contribution from Digital increased to £2.6m (2017: £2.0m) in the year.

Product gross margin remained strong at 62.9% (2017: 63.2%), reflecting a continued focus in direct sourcing, successful negotiations with suppliers and management of write downs. The slight fall year on year reflects an increase in multi buy promotions for example 2 for £20, and the impact of lower branded margins.

Operating expenses decreased to £19.1m (2017: £20.3m). Administration expenses decreased by £1.4m primarily due to the reduced impact of foreign exchange differences and a reduction in professional charges offset by planned increases in digital operational costs. Distribution Costs remained broadly flat year on year with staff cost increases being partially offset by warehouse efficiencies.

Financial Review **CONTINUED**

The effective rate of corporation tax for the year was 19.4% (2017: 19.8%).

During the year capital expenditure was £5.0m (2017: £5.1m). This included on-going investment in the portfolio, opening 16 new stores, 23 refits, and the roll out of a new till system across all stores.

The pension liability has fallen by £0.8m from £7.1m to £6.3m due mainly to an increase in the yield performance of corporate bonds.

The derivative financial asset of £1.4m, compared to a £2.5m liability in prior year, represents the mark to market valuation of the derivative hedges in place at the end of the financial year. As outlined in the annual report, Shoe Zone only hedges against future dollar purchases of goods for resale, all hedges in place will be effective upon their delivery date.

The Group uses derivative financial instruments, typically forward exchange contracts, to hedge the risk of future foreign currency fluctuations. The hedging policy enables the effective portion of changes in the fair value of designated derivatives to be recognised in other comprehensive income. Historically these movements would have been recognised in the Income Statement. Further information can be seen in accounting policies in note 1 of the financial statements.

The Company generated £15.0m cash from operations, a year on year increase of £1.0m resulting in a net cash position of £15.7m (2017: £11.8m) at the year end, underpinning a strong debt free balance sheet. The Group's current bank facilities consist of an on demand overdraft facility of £5.0m with HSBC. This facility has not been used within the year.

The Board is proposing a final dividend of 8.0p (2017: 6.8p) per share, resulting in a total dividend for the year of 11.5p (2017: 10.2p) per share. In addition, the closing cash position of £15.7m gives surplus cash of £4.0m which will be returned to shareholders in the form of a special dividend of 8p per share. The Board continues to believe the business can operate on an opening/closing cash position of £11m and any excess above this level will be paid out to shareholders unless there is a change in business requirement.

The dividends will be paid to shareholders on the register on 1 March 2019, payable on 20 March 2019 if approved at the Annual General Meeting to be held on 7 March 2019. The shares will go ex-dividend on 28 February 2019.

Key Performance Indicators

The Group uses the following Key Performance Indicators (KPIs) to measure the performance and position of the business and its progress against strategic objectives.

ONLINE PARTICIPATION %

6.1%

2017: 5.3%

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

The online participation increased by 80 basis points to 6.1% (2017: 5.3%). This performance reflects the growth of the Shoezone website sales and the offering on eBay and Amazon.

PRODUCT GROSS MARGIN %

62.9%

2017: 63.2%

Product Gross Profit expressed as a percentage of revenue.

Product Gross Margin fell slightly by 30 basis points to 62.9% (2017: 63.2%). This maintenance of a high Gross Margin reflects the on-going focus on direct sourcing which was 85% of purchases. The slight fall year on year reflects an increase in multi buy promotions for example '2 for £20'.

CASH BALANCE

£15.7m

2017: £11.8m

Cash held by the Group at the period end.

We finished the year with a healthy cash balance of £15.7m (2017:£11.8m).

EARNINGS PER SHARE GROWTH

19.0p

2017: 15.8p

The movement in Earnings per Share.

Earnings per Share increased to 19.0p (2017:15.8p), an increase of 20.7%.

RENTAL % OF TURNOVER

12.6%

2017: 12.7%

Store rent as a percentage of turnover

The rental % of turnover has reduced from 12.7% to 12.6% reflecting the on-going focus on rent negotiations.



Principal Risks and Uncertainties

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

Market and Competition

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

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

Identifying fashion and trends

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

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

Principal Risks and Uncertainties **CONTINUED**

Economic factors

Poor economic conditions in the UK, the Republic of Ireland and globally, as well as economic factors such as unemployment levels, consumer debt levels, lack of available credit, energy costs, inflation, currency exchange rates, interest and tax rates, may adversely affect the disposable income of the Group's customers, which could result in lower sales. In particular, in times of economic uncertainty or recession or lack of consumer confidence, there may be a decrease in discretionary purchases generally, which could have a material adverse effect on the Group's business, results of operations and financial condition. Global economic conditions and uncertainties may also impact the Group's manufacturers and suppliers in ways that could adversely affect the Group's business.

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



Principal Risks and Uncertainties

CONTINUED

Reliance on overseas suppliers

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

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

The Board is always seeking out new sources of supply with a clear strategy of diversification. Members of the Management Team frequently visit overseas suppliers to ensure that existing factories are being regularly monitored and new factories are being sourced that meet our price, quality and safety standards.

Reputational risk

The Group's sales are dependent in part on the strength and reputation of the brands it offers, including own label brands, and are dependent on consumers' perceptions of the Group and its products.

The vast majority of the Group's profits are derived through sales of its own label brands. Maintaining broad market acceptance of its own label brands depends on many factors, including value, quality and consumer perception. The Group may not in the future achieve or maintain its expected sales of its own label brands, which could have a material adverse effect on the Group's business, results of operations and financial position.

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

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



Principal Risks and Uncertainties **CONTINUED**

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

Principal Risks and Uncertainties

CONTINUED

penetrate the network security and misappropriate confidential information. Any such breach or compromise of security could adversely impact the Group's reputation with customers and consumers, lead to litigation or fines, and as a result, have a material adverse effect on its business, results of operations and financial position.

The business has appropriate disaster recovery and business interruption plans. The IT systems have been developed significantly in-house reducing the business's dependency on any third parties. Reputable third party antivirus, anti-spam and web filtering software is in use and its appropriateness regularly reviewed.

Reliance on key personnel

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

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

Brexit

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

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

Hedging policy and processes have been reviewed and Shoe Zone are hedged at the required levels for the full 2018/19 financial year.

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

The strategic report was approved by the Board.

On behalf of the Board

Nick Davis
Chief Executive Officer
Date: 8 January 2019

Jonathan Fearn
Chief Financial Officer
Date: 8 January 2019

Corporate Governance Statement

Chairman's Statement

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

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

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

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

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

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

Anthony Smith
Chairman
Date: 8 January 2019

Corporate Governance Statement

CONTINUED

THE TEN PRINCIPLES OF THE QCA CODE

1

DELIVER GROWTH

Establish a strategy and business model which promote long-term value for shareholders.

- Shoe Zone is a value retailer of shoes and associated products. Its strength is based on three pillars;
 - Growth through Big Box and Digital.
 - Driving value through the Shoe Zone retail estate by being the lowest cost end to end operator in the market.
 - Excellence in retail operations through committed people serving excellent value products to customers whom we really care for.
- This business model has been developed over many years and has proved successful in both profit performance and cash generation.

2

DELIVER GROWTH

Seek to understand and meet shareholder needs and expectation.

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

Corporate Governance Statement

CONTINUED

3 DELIVER GROWTH

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 CEO, 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 on-going issues that may have been caused.
 - Prior to the implementation of new uniforms, we trialled them over a number of stores and feedback was sought from employees before the final design and materials had been approved.
- We are working with suppliers to eliminate plastic materials from the supply chain as far as possible. Most recently we have replaced plastic 'shoe shapers' with biodegradable cardboard ones.
- We collect all plastic and cardboard waste from our stores. Where possible, we reuse or recycle cardboard waste and recycle plastic waste through a third party.
- Shoe Zone is committed to eliminating all forms of slavery and the company website outlines the actions we are taking to ensure that we are supportive of the wider movement.

4 DELIVER GROWTH

Embed effective risk management, considering both opportunities and threats, throughout the organisation.

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

Corporate Governance Statement

CONTINUED

5

**MAINTAIN
A DYNAMIC
MANAGEMENT
FRAMEWORK**

Maintain the board as a well-functioning, balanced team led by the chair.

- The board consists of four Executive Directors and three Non-Executive Directors.
- The Executive Chairman is Anthony Smith, who is also the major shareholder with 27.79% shareholding.
- The Non-Executive Deputy Chairman is Jeremy Sharman, who is a shareholder and is also chair of the Audit Committee.
- The remaining Executive board members are Nick Davis, CEO; Charles Smith, COO; Jonathan Fearn, CFO. Charles Smith is the second largest shareholder with 22.22%.
- The remaining Non-Executive Directors are Charlie Caminada and Malcolm Collins. Charlie is Chairman of the Remuneration Committee.
- Within the Executive Directors, Anthony Smith, Nick Davis and Jonathan Fearn are all full time Directors. Charles Smith is employed for three days a week.
- The Non-Executive directors are selected for the specific skills and expertise that they contribute to the business. This ranges from experience of investment banking, investor relations and shoe market experience.

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**MAINTAIN
A DYNAMIC
MANAGEMENT
FRAMEWORK**

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.

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**MAINTAIN
A DYNAMIC
MANAGEMENT
FRAMEWORK**

Evaluate board performance based on clear and relevant objectives, seeking continuous improvement.

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

Corporate Governance Statement

CONTINUED

8

**MAINTAIN
A DYNAMIC
MANAGEMENT
FRAMEWORK**

Promote a corporate culture that is based on ethical values and behaviours.

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

9

**MAINTAIN
A DYNAMIC
MANAGEMENT
FRAMEWORK**

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 selection of a new audit partner, product range reviews or the selection of other advisors.
- Management meetings are also held periodically with other key senior members of the company who hold functional responsibility. Information is disseminated through this group to the wider business and updates and feedback sought on key topics and areas.

10

**BUILD
TRUST**

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, CEO and CFO to discuss performance and future plans.
- From time to time we also offer the opportunity for potential investors to visit a local store or Head Office in Leicester.
- All voting results for the Annual General Meeting on resolutions are available on the website and the reports of Board Committees are set out in the Annual Report and Accounts each year.

Corporate Governance Statement

CONTINUED

The Board

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

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

The key responsibilities of the Board are:

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

Details of each of the Directors is given in their biographies on pages 26 and 27.

Appointments to the Board and re-election

The Company is governed by its Articles of Association ('Articles'). Under the Articles the Board has the power to appoint a Director during the year but any person so appointed must stand for election at the next Annual General Meeting ('AGM'). The Articles require that each Director retires and seeks re-election by the members every three years. The UK Code recommends that directors should be subject to annual re-election by members and, in line with the Company's intention to apply certain principles of the UK Code, each Director will stand for re-election at each of the Company's AGMs.

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 two independent Non-Executive Directors. Each Board Committee has approved Terms of Reference setting out their responsibilities. The Terms of Reference were approved by the Board during the year. All of the Board Committees are authorised to obtain, at the Company's expense, professional advice on any matter within the Terms of Reference and to have access to sufficient resources to carry out their duties.

The Audit Committee is chaired by Jeremy Sharman. The committee meets as necessary to monitor the Group's risk management and internal control systems and is also concerned with any major accounting and audit related issues. Executive Directors and senior management are responsible for managing the risk framework and internal control systems and must report on their effectiveness to the Audit Committee.

Details of the duties of the Remuneration Committee are set out in the Remuneration report on page 28.

Board of Directors

ANTHONY SMITH

Chairman

Anthony joined Shoe Zone in 1993 as Marketing Manager and held various roles within Marketing and Retail divisions before becoming Chief Executive Officer in 1997. Since his appointment as Chief Executive Officer, Shoe Zone has carried out three major acquisitions and traded successfully through two recessions. Anthony was appointed Chairman in June 2016. Anthony is a founder and Trustee of the Shoe Zone Trust.



NICK DAVIS

Chief Executive Officer

Nick joined Shoe Zone in 2003 as Management Accountant from PKF where he had been a Senior Business Advisor in Audit and Assurance. Nick became Financial Controller of Shoe Zone in 2005 and then joined the Board as Finance Director in 2006. As Chief Financial Officer in 2014 he successfully joint led the company's IPO process and was appointed Chief Executive Officer in 2016. He is FCA qualified and holds a BSc in Economics from Loughborough University. Outside of Shoe Zone Nick serves as a Non-Executive Director for a group of BMW dealerships and is a Board member and Trustee of three charities.



JONATHAN FEARN

Chief Financial Officer

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





CHARLES SMITH

Chief Operating Officer

Charles started at Shoe Zone in 1998, joining the Board of Directors in 2001. As Chief Operating Officer his main areas of responsibility are Retail and HR. Charles is a founder and Trustee of the Shoe Zone Trust. Outside of Shoe Zone he is a Trustee of three other charities.



JEREMY SHARMAN

Non-Executive Deputy Chairman

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



CHARLIE CAMINADA

Non-Executive Director

Charlie has over 21 years executive board experience of brand building for entertainment, media and retail organisations, including 16 years' experience on the boards of London Stock Exchange traded companies and 12 years' experience as a COO. Charlie spent seven years as Chief Operating Officer at Ludorum plc between 2005 and 2012, heading the company's listing on AIM in 2006. Prior to that he was a founding member and Chief Operating Officer at HIT Entertainment plc for 15 years. Charlie has served as a Specialist Advisor & Member of the Development Board to the Centre of Social Justice and a Specialist Advisor to the UK Trade & Investment (UKTI).



MALCOLM COLLINS

Non-Executive Director

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

Remuneration Report

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

The Remuneration Committee consists of two Non-executive Directors. Charlie Caminada is the Chairman and Jeremy Sharman also serves on the Committee.

Anthony Smith, Nick Davis, Charles Smith and Jonathan Fearn may attend the Committee meetings by invitation.

Duties

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

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

Remuneration Report **CONTINUED**

Directors and Directors' interests

The Directors listed below all served throughout the year. Their interests in the issued share capital of the Company as at the date of this report were as follows:

	Number of ordinary shares		Percentage of issued share capital
Executive Directors			
Anthony Smith	13,895,592	(1)	27.79%
Nick Davis	33,700	(2)	0.07%
Charles Smith	11,109,408	(3)	22.22%
Jonathan Fearn	350		0.0%
Non-Executive Directors			
Jeremy Sharman	234,375	(4)	0.47%
Charlie Caminada	15,625		0.03%
Malcolm Collins	Nil		Nil

- (1) The registered holder of these shares is Slawston Investments Limited, an entity jointly owned by Anthony and Catherine Smith
- (2) The registered holder of these shares is Louise Davis, the wife of Nick Davis
- (3) The registered holder of these shares is Sheepy Magna Investments Limited, an entity jointly owned by Charles and Sian Smith
- (4) The registered holder of 12,000 of these shares is Fiona Sharman, the wife of Jeremy Sharman

Remuneration Report **CONTINUED**

Directors' Remuneration

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

Individual	Financial year	Basic Salary and fees	Profit Share (Bonus)	LTIP paid within year	Benefits	Pension Contribution	Total
		£	£	£	£	£	£
Executive Directors							
Anthony Smith	FY18	250,000	-	-	43,488	-	293,488
	FY17	250,000	-	-	37,600	-	287,600
Nick Davis	FY18	206,000	208,668	23,413	10,610	24,720	463,411
	FY17	191,580	105,000	-	18,294	17,000	331,874
Charles Smith (1)	FY18	120,000	-	-	16,137	-	136,137
	FY17	170,000	-	-	20,503	-	190,503
Jonathan Fearn (2)	FY18	101,500	51,384	-	10,013	12,180	175,077
	FY17	56,183	14,794	-	5,258	6,742	82,977
Non-Executive Directors							
Jeremy Sharman	FY18	30,000	-	-	-	-	30,000
	FY17	30,000	-	-	-	-	30,000
Charlie Caminada	FY18	30,000	-	-	-	-	30,000
	FY17	30,000	-	-	-	-	30,000
Malcolm Collins	FY18	20,000	-	-	-	-	20,000
	FY17	20,000	-	-	-	-	20,000
Total	FY18	757,500	260,052	23,413	80,248	36,900	1,158,113
	FY17	747,763	119,794	-	81,655	23,742	972,954

(1) In 2017 Charles Smith now contracted for three days per week.

(2) Appointed 7 March 2017.

Remuneration Report **CONTINUED**

Long Term Incentive Plans

During 2018, the Remuneration Committee approved the introduction of a Long Term Incentive Plan (LTIP) for selected Executive Directors. The financial value of the award is based on the achievement of annual Profit before Tax targets which are then converted to a number of shares based on a defined share price. The shares are then transferred to the individual over the following three years.

For Nick Davis, achievement of target awards at 50% of salary up to a maximum of 100%; for Jonathan Fearn, achievement of target will award at 37.5% up to a maximum of 75% of salary.

The volume of shares awarded are outlined below:

Individual		Year of vesting			Total
		2019	2020	2021	
Nick Davis	FY18	26,520	26,520	26,520	79,560
	FY17	14,493	14,493	-	28,986
	Total	41,013	41,013	26,520	108,546
Jonathan Fearn	FY18	9,788	9,788	9,788	29,364
	FY17	-	-	-	-
	Total	9,788	9,788	9,788	29,364

Remuneration Report **CONTINUED**

Directors' Service contracts and employment letters

The Executive Directors have entered into service agreements with the Company with effect from 1 May 2017. Salaries for the current year are set out below:

	£
Anthony Smith	250,000
Nick Davis	212,500
Charles Smith	120,000
Jonathan Fearn	115,000

Each Executive Director's employment will continue until terminated by either party by written notice. The notice periods applicable are 12 months for Anthony Smith, Charles Smith, and Nick Davis and 6 months for Jonathan Fearn. Other fixed elements of the Executive Directors' remuneration comprise a company car provision, life assurance and private medical insurance. Nick Davis and Jonathan Fearn are entitled to a Pension Contribution of 12% of basic salary.

For the 2019 year, the committee intends to continue the LTIP benefit to Nick Davis and Jonathan Fearn, based on performance against agreed PBT targets.

The Company may elect to terminate the employment of each Executive Director by making a payment in lieu of notice equal to their basic salary payable in monthly instalments.

Each of the Executive Directors has agreed to post-termination restrictions in order to protect confidential information, trade secrets and business connections. These restrictions last for 9 months.

The Non-Executive Directors have entered into appointment letters. Under the terms of these letters, the Non-Executive Directors are entitled to an annual fee as set out below:

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

The appointments are terminable by either party with three months' written notice. The Company may pay the Non-Executive Directors in lieu of their notice period.

The remuneration report was approved by the Board.

On behalf of the Board

Charlie Caminada
Chairman of the Remuneration Committee
Date: 8 January 2019

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018

The Directors present their Annual Report and audited financial statements of the Company and the Group for the 52 weeks ended 29 September 2018.

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

The Company

Shoe Zone plc (the 'Company') is a company incorporated and domiciled in the UK, with the registered company number 08961190. The company is listed on the AIM market of the London stock exchange.

Share Capital

Details of the share capital of the company are shown in note 20 of the financial statements. The company's share capital consists of one class of ordinary shares. As at 29 September 2018 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 1 March 2018, 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 2019 AGM, shareholders will be asked to renew this authority for a further year.

Directors

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

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

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018

CONTINUED

Directors' Interests

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

Directors' Indemnities

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

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

Employees

The Group employed 3,489 (30 September 2017: 3,507) employees at the year end.

The Group's policy is to actively involve its employees in the business to ensure that matters of concern to them, including the Group's aims and objectives and the financial and economic factors which impact them are communicated in an open and regular manner.

The Directors are committed to delivering the highest standards of health and safety for employees, customers and others that might be affected by the Group's activities.

The Group is committed to employing the right people, training them well and promoting from within wherever possible. Well trained and motivated employees are key to delivering good service to our customers and are fundamental to the long-term success of the business.

The Group operates an equal opportunities policy that aims to treat individuals fairly and not to discriminate on the basis of sex, race, ethnic origin, disability or any other basis. Applications for employment are fully considered on their merits, and employees are given appropriate training and equal opportunities for career development and promotion.

Annual general meeting

The Company's fifth AGM will be held on Thursday, 7 March 2019 at 10.00 a.m. at the Company's registered office at Haremead Business Centre, Humberstone Road, Leicester, Leicestershire LE1 2LH. The Notice of AGM appears on pages 97 to 101.

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

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018

CONTINUED

Final Dividend (resolution 2)

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

Special Dividend (resolution 3)

The Directors are also proposing a special dividend of 8.0p per ordinary share. In light of the continued strong performance, cash generation and the robustness of the Company's balance sheet, the Directors consider it appropriate to propose a cash return to shareholders of, in aggregate, approximately £4m (in addition to the final dividend proposed in resolution 2), which is structured as a special dividend of 8.0p per ordinary share. The approval of this resolution is not dependent on the approval of resolution 2, nor is the approval of resolution 2 dependent on the approval of this resolution.

Re-election of Directors (resolutions 4 to 10)

The UK Corporate Governance Code recommends that directors should be subject to annual re-election by shareholders. In line with the Company's intention to apply certain principles of the UK Corporate Governance Code, each Director will stand for re-election at the AGM. Biographical details of each Director appear on pages 26 and 27. 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 13)

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.

DIRECTORS' REPORT

FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018

CONTINUED

Authorities to allot shares (resolution 14)

By law, the Directors are not permitted to allot new shares (or to grant rights over shares) unless authorised to do so by shareholders. Resolution 14 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 8 January 2019. 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 8 January 2019).

Disapplication of pre-emption rights (resolutions 15 and 16)

Resolutions 15 and 16 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 15 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 15 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 8 January 2019. This resolution also disapplies statutory pre-emption rights to the extent necessary to facilitate rights issues.

Resolution 16 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 8 January 2019) 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.

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018

CONTINUED

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 2020 or 31 March 2020, whichever is earlier.

Authorisation for the Company to purchase its own shares (Resolution 17)

Resolution 17 seeks authority for the Company to make market purchases (within the meaning of section 693(4) of the Companies Act 2006) of the Company's ordinary shares on such terms and in such manner as the Directors may determine from time to time, subject to the limitations set out in the resolution. If Resolution 17 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 8 January 2019. Resolution 17 also sets out the minimum and maximum price that the Company may pay for purchases of its ordinary shares.

If Resolution 17 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 2020 or 31 March 2020, 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 under the Company's existing employee incentive plans.

Online voting and form of proxy

Please note you will not receive a form of proxy for the March 2019 AGM in the post. This year we have introduced an option to vote online which you can do at www.signalshares.com. To register you will need your Investor Code, which can be found on your share certificate. You will still be able to vote in person at the AGM and using a proxy. For shares held through CREST, proxy appointments may be submitted via the CREST proxy voting system. Otherwise, you may request a hard copy proxy form directly from our Registrars, Link Asset Services, on 0871 664 0300. Calls cost 12p per minute plus your phone company's access charge. If you are outside the United Kingdom, please call +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00 a.m. – 5.30 p.m. Monday to Friday excluding public holidays in England and Wales.

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

All online votes or proxy appointments should be submitted so as to be received no later than 10.00 a.m. on 5 March 2019.

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018

CONTINUED

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

PKF Cooper Parry have issued their independent report on these financial statements to the shareholders of Shoe Zone plc. The report can be found on page 41 to 45.

The auditor, PKF Cooper Parry 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.

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' REPORT FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018

CONTINUED

Directors have assessed the Group's current performance and position and factors that may affect the Group's future prospects.

The Group's financial position is strong with healthy positive cash balances at the year-end and no debt. It also has in place a £5.0m Revolving Credit Facility ('RCF'), which matures in April 2019. The RCF requires the Group to comply with certain financial covenants; these have been met during the year, and since the year-end. The RCF has not been utilised since inception. The Directors have reviewed forecasts and projections and consider that the Group has adequate banking facilities and cash resources to meet its operational and capital commitments. The Directors therefore have a reasonable basis on which to satisfy themselves that the business is a going concern.

Events after the year-end

Between 29 September 2018 and the date of this report, there have been no material events.

The Strategic Report, the Directors' Report and the Remuneration Report were approved by the Board.

Directors' responsibilities statement

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

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

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

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

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018

CONTINUED

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

Website publication

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

Disclosure of information to auditor

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

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

Approved by the Board and signed on its behalf:

Nick Davis
Chief Executive Officer
Date: 8 January 2019

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 29 September 2018 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 29 September 2018 and of the group's profit for the 52 weeks then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Matter

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

Response

- We obtained information on performance by store in order to assess for indication of impairment.
- We considered historical trading performance by comparing recent growth rates of both revenue and operating profit by store.
- We assessed the appropriateness of the assumptions concerning growth rates and inputs to the discount rates against latest market expectations.

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

CONTINUED

- 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 £844,000. This has been determined with reference to the benchmark of the group's profit before tax which we consider to be an appropriate measure for a group of companies such as these. Materiality represents 7.5% of group profit before tax.

The materiality for the parent company financial statements as a whole was set at £13,350. 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 £717,000, 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

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

CONTINUED

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 39, 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.

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

CONTINUED

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 company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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 PKF Cooper Parry Group Limited
Chartered Accountants and Statutory Auditor
Sky View
Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA
Date: 8 January 2019

CONSOLIDATED INCOME STATEMENT FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018

	Note	52 weeks ended 29 September 2018	52 weeks ended 30 September 2017
		£'000	£'000
Revenue	1, 4, 8	160,615	157,777
Cost of sales	5	(130,086)	(127,657)
Gross profit		30,529	30,120
Administration expenses	5	(13,070)	(14,454)
Distribution costs	5	(6,048)	(5,872)
Profit from operations		11,411	9,794
Finance income	9	31	15
Finance expense	9	(187)	(306)
Profit before taxation		11,255	9,503
Taxation	10	(1,738)	(1,620)
Profit attributable to equity holders of the parent		9,517	7,883
Earnings per share – basic and diluted	26	19.03p	15.77p

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018

	Note	52 weeks ended 29 September 2018	52 weeks ended 30 September 2017
		£'000	£'000
Profit for the period		9,517	7,883
Items that will not be reclassified subsequently to the income statement			
Remeasurement gains on defined benefit pension scheme	23	295	5,608
Movement in deferred tax on pension schemes	23	(50)	(1,217)
Items that will be reclassified subsequently to the income statement			
Fair value movements on cash flow hedges		232	(934)
Cash flow hedges recognised in inventories		2,958	(1,233)
Tax on cash flow hedges		(548)	377
Other comprehensive income for the period		2,887	2,601
Total comprehensive income for the period attributable to equity holders of the parent		12,404	10,484

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 29 SEPTEMBER 2018

	Note	52 weeks ended 29 September 2018	52 weeks ended 30 September 2017
		£'000	£'000
Assets			
Non-current assets			
Property, plant and equipment	12	21,103	20,783
Deferred tax asset	19	703	861
Total non-current assets		21,806	21,644
Current assets			
Inventories	13	27,804	28,017
Trade and other receivables	14	6,229	6,108
Derivative financial assets	15	1,383	-
Cash and cash equivalents	24	15,682	11,786
Total current assets		51,098	45,911
Total assets		72,904	67,555
Current liabilities			
Trade and other payables	16	(25,016)	(23,576)
Provisions	17	(689)	(829)
Derivative financial liability	15	-	(2,546)
Corporation tax liability		(550)	(474)
Total current liabilities		(26,255)	(27,425)
Non-current liabilities			
Trade and other payables	16	(1,649)	(1,742)
Provisions	17	(290)	(120)
Employee benefit liability	23	(6,296)	(7,108)
Total non-current liabilities		(8,235)	(8,970)
Total liabilities		(34,490)	(36,395)
Net assets		38,414	31,160
Equity attributable to equity holders of the company			
Called up share capital	20	500	500
Merger reserve		2,662	2,662
Cash flow hedge reserve		1,123	(1,520)
Retained earnings		34,129	29,518
Total equity and reserves		38,414	31,160

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

Jonathan Fearn
Chief Financial Officer
Date: 8 January 2019

Financials

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018

	Share capital	Merger reserve	Cash flow hedge reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
At 1 October 2016	500	2,662	270	26,344	29,776
Profit for the period	-	-	-	7,883	7,883
Defined benefit pension movements	-	-	-	5,608	5,608
Cash flow hedge movements	-	-	(2,167)	-	(2,167)
Deferred tax on other comprehensive income	-	-	377	(1,217)	(840)
Total comprehensive income for the period	-	-	(1,790)	12,274	10,484
Dividends paid during the year (note 11)	-	-	-	(9,100)	(9,100)
Total contributions by and distributions to owners	-	-	-	(9,100)	(9,100)
At 30 September 2017	500	2,662	(1,520)	29,518	31,160
Profit for the period	-	-	-	9,517	9,517
Defined benefit pension movements	-	-	-	295	295
Cash flow hedge movements	-	-	3,191	-	3,191
Deferred tax on other comprehensive income	-	-	(548)	(51)	(599)
Total comprehensive income for the period	-	-	2,643	9,761	12,404
Dividends paid during the year (note 11)	-	-	-	(5,150)	(5,150)
Total contributions by and distributions to owners	-	-	-	(5,150)	(5,150)
At 29 September 2018	500	2,662	1,123	34,129	38,414

Share capital comprises nominal value of shares subscribed for.

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018

	Note	52 weeks ended 29 September 2018	52 weeks ended 30 September 2017
		£'000	£'000
Operating activities			
Profit after taxation		9,517	7,883
Corporation tax		1,738	1,620
Finance income		(31)	(15)
Finance expense		187	306
Depreciation of property, plant and equipment		3,097	2,962
Fixed asset impairment and loss on disposal of property, plant and equipment		430	188
Pension contributions paid		(704)	(649)
		14,234	12,295
(Increase) / decrease in trade and other receivables		(146)	1,084
(Increase) / decrease in foreign exchange contract		(709)	321
Decrease in inventories		182	2,767
Increase / (decrease) in trade and other payables		531	(2,467)
Increase / (decrease) in provisions		859	(48)
		717	1,657
Cash generated from operations		14,951	13,952
Income taxes paid		(2,096)	(2,990)
Net cash flows from operating activities		12,855	10,962
Investing activities			
Purchase of property, plant and equipment		(5,094)	(5,137)
Sale of property, plant and equipment		1,254	-
Interest received		31	15
Net cash used in investing activities		(3,809)	(5,122)
Financing activities			
Dividends paid during the year	11	(5,150)	(9,100)
Net cash used in financing activities		(5,150)	(9,100)
Net increase in cash and cash equivalents		3,896	(3,260)
Cash and cash equivalents at beginning of period		11,786	15,046
Cash and cash equivalents at end of period	24	15,682	11,786

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018

CONTINUED

1. ACCOUNTING POLICIES

General information

Shoe Zone plc (the 'Company') is a public company incorporated and domiciled in England and Wales. The registered office is at Haremead Business Centre, Humberstone Road, Leicester, LE1 2LH. The company registered number of the Company is 08961190.

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

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied for the 52 weeks ended 29 September 2018.

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

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

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

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

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

Basis of consolidation

The consolidated financial statements incorporating the financial statements of Shoe Zone plc and its subsidiary undertakings are all made up to 29 September 2018. The results for all subsidiary companies are consolidated using the acquisition method of accounting.

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018 CONTINUED

1. ACCOUNTING POLICIES CONTINUED

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

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

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

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

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

Changes in accounting policies

The Group has not early adopted the following new standards, amendments or interpretations that have been issued but are not yet effective. The Directors anticipate that the adoption of these standards will not result in significant changes to the Group's accounting policies. The Group has commenced its assessment of the impact of these standards but is not yet in a position to state whether these standards would have a material impact on its results of operations and financial position.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018 CONTINUED

1. ACCOUNTING POLICIES CONTINUED

IFRS 16 'Leases'. This Standard is effective for the Group for the 52 week financial period ending 3 October 2020 and will require a significant change in the accounting and reporting of leases for the Group. The standard will require lessees to recognise assets and liabilities for all leases, with the exception of low value leases or where the lease term is 12 months or less. The impact on the Group is currently being assessed and it is not yet practicable to quantify the effect of the standard on these consolidated financial statements.

IFRS 9 'Financial Instruments' replaces IAS 39 'Financial Instruments: Recognition and Measurement' and is effective for the Group for the 53 week financial period ending 5 October 2019. The main change for the Group is a simplification of hedge accounting rules. As a result, the impact of the change on the Group is minimal, and will result in no changes in disclosure.

IFRS 15 'Revenue from Contracts with Customers'. This is effective for the 53 week financial period ending 5 October 2019, and requires revenue generated from contracts with customers to more accurately reflect the economic reality. This standard will not have any impact on the Group's revenues, as all of the Group's revenue relates to the sale of products made directly to customers either in store or online, no contracts are in place for any revenue generated.

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

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

Revenue

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

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

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as purchase price, cost includes directly attributable costs.

Depreciation is provided on all items of property, plant and equipment so as to write off their carrying value over the expected useful economic lives. It is provided at the following rates:

Leasehold improvements	5-10 years on a straight line basis
Fixtures and fittings	5-10 years on a straight line basis
Motor vehicles	3-5 years on a straight line basis

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018

CONTINUED

1. ACCOUNTING POLICIES

CONTINUED

No depreciation is provided against freehold land. Depreciation is provided against freehold shop properties writing off the original cost less estimated residual value over the useful economic life of the property which is estimated to be 50 years.

Leased assets

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

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

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

Impairment of non-financial assets

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018

CONTINUED

1. ACCOUNTING POLICIES

CONTINUED

Financial assets

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

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

Loans and receivables

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

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

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

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the consolidated income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The Group classified its financial liabilities as other financial liabilities which include the following:

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018

CONTINUED

1. ACCOUNTING POLICIES

CONTINUED

Derivative financial instruments and hedging activities

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

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

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

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

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

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

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

Deferred taxation

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018

CONTINUED

1. ACCOUNTING POLICIES

CONTINUED

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

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

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

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

Provisions

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

Foreign exchange

Transactions entered into the Group entities in a currency other than the functional currency are recorded at the average 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018

CONTINUED

1. ACCOUNTING POLICIES

CONTINUED

Contributions to defined contribution schemes are charged to the consolidated statement of comprehensive income in the year to which they relate.

Defined benefit scheme surpluses and deficits are measured at:

- the fair value of plan assets at the reporting date; less
- plan liabilities calculated using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities; plus
- unrecognised past service costs; less
- the effect of minimum funding requirements agreed with scheme trustees.

Re-measurements of the net defined obligation are recognised directly within equity. These include actuarial gains and losses, return on plan assets (interest exclusive), and any asset ceilings (interest exclusive).

Service costs are recognised in the income statement, and include current and past service costs as well as gains and losses on curtailments.

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

Gains or losses arising from changes to scheme benefits or scheme 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018

CONTINUED

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Shoe Zone plc Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Accounting estimates and assumptions

Retirement benefits:

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

Estimated impairment of store assets:

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

Estimated useful life of property, plant and equipment:

At the date of capitalising property, plant and equipment, the Group estimates the useful life of the asset based on management's judgement and experience. Due to the significance of capital investment to the Group, variances between actual and estimated useful economic lives could impact results both positively and negatively, see note 12.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018

CONTINUED

3. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

The Board has overall responsibility for the determination of the Group's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. The Group reports in Pound Sterling. All funding requirements and financial risks are managed based on policies and procedures adopted by the Board of Directors. The Group does use forward currency contracts to mitigate foreign exchange risk. The Group does not issue or use financial instruments of a speculative nature.

The Group is exposed to the following financial risks:

- credit risk;
- liquidity risk;
- foreign exchange risk; and

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

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

Fair value hierarchy

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018 CONTINUED

3. FINANCIAL INSTRUMENTS – RISK MANAGEMENT CONTINUED

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

	52 weeks ended 29 September 2018	52 weeks ended 30 September 2017
	£'000	£'000
Financial assets		
Financial assets at amortised cost		
Trade receivables	448	327
Other receivables	220	170
Cash and cash equivalents	15,682	11,786
Total receivables	16,350	12,283
Financial assets at fair value through profit or loss	30	-
Financial assets at fair value through other comprehensive income	1,353	-
Total financial assets	1,383	-

	52 weeks ended 29 September 2018	52 weeks ended 30 September 2017
	£'000	£'000
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	22,584	21,234
Financial liabilities at fair value through other comprehensive income		
Financial liabilities at fair value through profit and loss	-	709
Financial liabilities at fair value through other comprehensive income	-	1,837
Total financial liabilities	22,584	23,780

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018 CONTINUED

3. FINANCIAL INSTRUMENTS – RISK MANAGEMENT CONTINUED

To the extent financial instruments are not carried at fair value in the consolidated statement of financial position, book value approximates to fair value at 29 September 2018 and 30 September 2017.

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 29 September 2018 the Group has trade receivables of £448,000 (2017: £327,000).

Approximately 36% of the balance is with longstanding prepaid gift card providers and will be recovered against orders placed for the upcoming season. The remainder is spread over a number of smaller suppliers with the largest balance below £170,000.

The Directors are unaware of any factors affecting the recoverability of outstanding balances at 29 September 2018 and previously and consequently no provisions have been made for bad and doubtful debts.

All cash balances and derivative financial instruments are held with reputable banks and service providers and the Board monitors its exposure to counterparty risk on an on-going basis.

Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due.

To achieve this aim, it seeks to maintain cash balances to meet expected requirements for a period of at least 30 days.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018 CONTINUED

3. FINANCIAL INSTRUMENTS – RISK MANAGEMENT CONTINUED

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

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

	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 30 September 2017	£'000	£'000	£'000	£'000	£'000
Trade and other payables	21,234	-	-	-	-
Derivative financial liability	824	1,486	236	-	-
Total	22,058	1,486	236	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018 CONTINUED

3. FINANCIAL INSTRUMENTS – RISK MANAGEMENT CONTINUED

Foreign exchange risk

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

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

Foreign Currency: Sensitivity Analysis

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

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

Positive figures represent an increase in profit or equity.

	Income Statement		Equity	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Sterling strengthens by 10%	659	682	4,046	4,868
Sterling weakens by 10%	(805)	(834)	(4,945)	(5,949)

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018 CONTINUED

3. FINANCIAL INSTRUMENTS – RISK MANAGEMENT CONTINUED

Year end exchange rates applied in the above analysis are US Dollar 1.31 (2017: 1.34). 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 £38,414,000 (30 September 2017: £32,876,000).

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 29 September 2018	52 weeks ended 30 September 2017
	£'000	£'000
Revenue arises from:		
Sales of goods	160,615	157,777

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018

CONTINUED

5. EXPENSES BY NATURE

	52 weeks ended 29 September 2018	52 weeks ended 30 September 2017
	£'000	£'000
Inventories recognised as an expense	52,789	51,524
Carriage charges on purchases	2,580	2,094
Duty charges on purchases	4,730	5,205
Employee benefit expenses	38,016	36,912
Depreciation of property, plant and equipment	3,530	2,971
Operating lease expense		
Other	608	621
Land and buildings	20,407	21,045
Loss on disposal of property, plant and equipment	88	286
Administration expenses	18,744	19,203
Loss on Foreign Exchange	75	1,667
Other costs	7,637	6,455
	149,204	147,983

6. AUDITOR'S REMUNERATION

	52 weeks ended 29 September 2018	52 weeks ended 30 September 2017
	£'000	£'000
The audit of the parent company	15	19
Audit of subsidiary financial statements pursuant to legislation	40	39
	55	58

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018

CONTINUED

7. EMPLOYEE BENEFIT EXPENSES

	52 weeks ended 29 September 2018	52 weeks ended 30 September 2017
	£'000	£'000
Employee benefit expenses (including Directors) comprise:		
Wages and salaries	35,223	34,194
Social security costs	1,836	1,792
Other pension costs	957	926
	38,016	36,912

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

	52 weeks ended 29 September 2018	52 weeks ended 30 September 2017
	No.	No.
Sales and distribution	3,350	3,361
Directors	7	7
Administration	151	153
	3,508	3,521

The average monthly number of full time equivalent employees during the period was 1,718 (2017: 1,751).

Shoe Zone plc does not employ any members of staff and has no staff costs during the period (2017: Nil).

	52 weeks ended 29 September 2018	52 weeks ended 30 September 2017
	£'000	£'000
Directors' remuneration, included in staff costs:		
Salaries and benefits	1,098	949
Pension contributions	27	24
	1,125	973
Information regarding the highest paid Director is as follows:		
Salary and benefits	425	315
Pension contribution	15	17
	440	332

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018 CONTINUED

8. SEGMENTAL INFORMATION

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

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

	52 weeks ended 29 September 2018	52 weeks ended 30 September 2017
	£'000	£'000
External revenue by location of customers:		
United Kingdom	156,165	152,562
Republic of Ireland	4,220	4,991
Other	230	224
	160,615	157,777

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

	52 weeks ended 29 September 2018	52 weeks ended 30 September 2017
	£'000	£'000
Non-current assets by location:		
United Kingdom	21,091	20,499
Republic of Ireland	12	284
	21,103	20,783

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 £703,000 (2017: £861,000) is unallocated.

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018

CONTINUED

9. FINANCE INCOME AND EXPENSES

	52 weeks ended 29 September 2018	52 weeks ended 30 September 2017
	£'000	£'000
Finance income		
Interest receivable	31	15
Total finance income	31	15
Finance expense		
Net interest expense on defined benefit pension scheme	(187)	(306)
Total finance expense	(187)	(306)

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018 CONTINUED

10. INCOME TAX

	52 weeks ended 29 September 2018	52 weeks ended 30 September 2017
	£'000	£'000
Current tax expense		
Current tax on profits for the period	1,995	1,949
Adjustment for under / (over) provision in prior periods	183	(69)
Total current tax expense	2,178	1,880
Deferred tax expense		
Adjustment for (over) provision in prior periods	(456)	(245)
Origination and reversal of temporary differences (note 19)	16	(15)
Tax charge on profit on ordinary activities	1,738	1,620

The reason for the difference between the actual tax charge for the period and the standard rate of corporation tax in the United Kingdom applied to profit for the period as follows:

	52 weeks ended 29 September 2018	52 weeks ended 30 September 2017
	£'000	£'000
Profit for the period	9,517	7,883
Income tax expense	1,738	1,620
Profit before income taxes	11,255	9,503
Expected tax charge based on corporation tax rate of 19% (30 September 2017: 19.5%)	2,138	1,853
Expenses not deductible for tax purposes	(125)	269
Effective change of rate	(2)	(188)
Adjustments to tax charge in respect of previous period	(273)	(314)
Total tax expense	1,738	1,620

Factors that may affect future tax charges:

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018

CONTINUED

11. DIVIDENDS

	52 weeks ended 29 September 2018	52 weeks ended 30 September 2017
	£'000	£'000
Dividends paid during the year at 10.3p (2017: 18.2p) per share	5,150	9,100

A final dividend of 8.0p (2017: 6.8p) per share is proposed for shareholders on the register on 1 March 2019 payable on 20 March 2019 following approval at the Annual General Meeting on 7 March 2019.

A special dividend of 8.0p (2017: Nil) per share is proposed for shareholders on the register on 1 March 2019 payable on 20 March 2019 following approval at the Annual General Meeting on 7 March 2019.

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018 CONTINUED

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold properties	Short leasehold and leasehold improvements	Motor vehicles	Fixtures and fittings	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 October 2016	10,153	16,757	24	31,284	-	58,218
Additions	-	1,855	10	3,281	125	5,271
Disposals	-	(882)	-	(2,021)	-	(2,903)
At 30 September 2017	10,153	17,730	34	32,544	125	60,586
Additions	-	1,646	-	3,448	-	5,094
Disposals	(1,384)	(522)	-	(1,111)	-	(3,017)
Impairments	-	(315)	-	(337)	-	(652)
Assets under construction	-	-	-	125	(125)	-
At 29 September 2018	8,769	18,539	34	34,669	-	62,011
Depreciation						
At 1 October 2016	1,189	12,975	6	25,386	-	39,556
Charge for the period	56	1,130	6	1,770	-	2,962
Disposals	-	(840)	-	(1,875)	-	(2,715)
At 30 September 2017	1,245	13,265	12	25,281	-	39,803
Charge for the period	52	1,095	6	1,938	-	3,091
Disposals	(231)	(494)	-	(1,043)	-	(1,768)
Impairments	-	(134)	-	(84)	-	(218)
At 29 September 2018	1,066	13,732	18	26,092	-	40,908
Net book value						
At 29 September 2018	7,703	4,807	16	8,577	-	21,103
At 30 September 2017	8,908	4,465	22	7,263	125	20,783
At 1 October 2016	8,964	3,782	18	5,898	-	18,662

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018 CONTINUED

13. INVENTORIES

	29 September 2018	30 September 2017
	£'000	£'000
Goods for resale	27,300	27,802
Shop fitting materials and other consumables	504	215
	27,804	28,017

14. TRADE AND OTHER RECEIVABLES

	29 September 2018	30 September 2017
	£'000	£'000
Trade receivables	448	327
Prepayments	5,573	5,611
Other receivables	208	170
	6,229	6,108

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

15. DERIVATIVE FINANCIAL INSTRUMENTS

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

	29 September 2018	30 September 2017
	£'000	£'000
Derivative financial assets / liabilities		
Derivatives not designated as hedging instruments	30	(709)
Derivatives designated as hedging instruments	1,353	(1,837)
	1,383	(2,546)

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 29 September 2018 were \$58,300,000 (30 September 2017: \$71,750,000). The fair value of the forward foreign exchange contracts are within the level 2 of the fair value hierarchy and have been valued on the basis of observable market data. The key input into the valuation are market rates of financial instruments at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018 CONTINUED

16. TRADE AND OTHER PAYABLES

	29 September 2018	30 September 2017
	£'000	£'000
Current		
Trade payables	10,549	11,694
Social security and other taxes	1,396	1,635
Other payables	236	326
Accruals	12,835	9,921
	25,016	23,576

	29 September 2018	30 September 2017
	£'000	£'000
Non-current		
Accruals	1,649	1,742
	1,649	1,742

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018

CONTINUED

17. PROVISIONS

	Customer Returns	Dilapidations	Total
	£'000	£'000	£'000
As at 30 September 2017	40	909	949
Additions	38	639	677
Amounts utilised	(40)	(246)	(286)
Amounts released	-	(361)	(361)
As at 29 September 2018	38	941	979

The provisions are aged as follows:

	Customer Returns	Dilapidations	Total
	£'000	£'000	£'000
Current	38	651	689
Non-current	-	290	290
As at 29 September 2018	38	941	979

For all products, the Group has incurred an obligation to exchange the item if it is faulty due to a lack of quality or give the client a refund if they are not satisfied. Revenue from the sale of the products is recognised once the product is sold, however, a provision for customer returns based on previous experience is recognised at the same time.

Leasehold dilapidations relate to the estimated cost of returning a leasehold property to its original state at the end of the lease in accordance with the lease terms. The main uncertainty relates to estimating the cost that will be incurred at the end of the lease.

18. CONTINGENT LIABILITIES

The Shoe Zone plc Group and subsidiary undertakings have given a duty deferment guarantee in favour of HM Revenue and Customs amounting to £800,000 (30 September 2017: £800,000).

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018 CONTINUED

19. DEFERRED TAX

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17% (30 September 2017: 17%).

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

	29 September 2018	30 September 2017
	£'000	£'000
At beginning of the period	861	1,441
Recognised in income statement:		
Tax expense (note 10)	440	260
Recognised in other comprehensive income:		
Actuarial gain on defined benefit pension schemes	(50)	(1,217)
Cashflow hedge	(548)	377
At end of the period	703	861

The deferred tax has arisen due to the following:

	29 September 2018	30 September 2017
	£'000	£'000
Accelerated capital allowances	1,289	991
Ineligible buildings	(1,426)	(1,656)
Short term timing differences	(230)	317
Defined benefit pension scheme	1,070	1,209
	703	861

The Group has an unrecognised deferred tax asset £885,000 as at 29 September 2018 (30 September 2017: £893,000).

There are estimated losses available to offset against future capital taxable profits amounting to approximately £5,207,000 (30 September 2017: £5,250,000).

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018 CONTINUED

20. SHARE CAPITAL

29 September 2018 30 September 2017
£'000 £'000

Share capital issued and fully paid

50,000,000 ordinary shares of 1p each

	500	500
	500	500

Ordinary shares carry the right to one vote per share at general meetings of the company and the rights to share in any distribution of profits or returns of capital and to share in any residual assets available for distribution in the event of a winding up.

21. LEASES

Operating leases – lessee

The Shoe Zone plc Group has entered into commercial leases on land and buildings. These leases have an average life of between five and ten years. There are no restrictions placed on the Shoe Zone plc Group by entering into these leases. The total future minimum lease payments under non-cancellable operating leases for land and buildings and other items of plant and machinery are as follows:

	Land and buildings	Land and buildings	Other	Other
	29 September 2018	30 September 2017	29 September 2018	30 September 2017
	£'000	£'000	£'000	£'000
Not later than one year	18,283	18,652	655	554
Later than one year and not later than five years	35,223	35,191	387	872
Later than five years	4,908	5,486	-	-
	58,414	59,329	1,042	1,426

22. CAPITAL COMMITMENTS

29 September 2018 30 September 2017
£'000 £'000

Contracted for but not provided

	205	238
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NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018 CONTINUED

23. PENSION COSTS

Defined contribution scheme

The Group operates a defined contribution pension scheme namely Shoe Zone Worksave Pension Plan contributions amounted to £957,000 (30 September 2017: £926,000).

Defined benefit scheme

The Group operates two other pension schemes in the UK: the Shoe Zone Pension Scheme and the Shoefayre Limited Pension and Life Assurance Scheme. The Shoe Zone Pension Scheme provided benefits on a defined benefit basis for service up to 30 September 2001. For service after that date, benefits are provided on a defined contribution basis. The Shoefayre Limited Pension and Life Assurance Scheme provided benefits on a defined benefit basis but was closed to future accrual on 30 June 2009. The scheme was acquired on the purchase of Shoefayre Limited on 19 September 2007. The assets of all schemes are held in separate trustee administered funds. The pension contributions to the Shoe Zone Pension Scheme defined contribution element was £2,000 (30 September 2017: £2,000).

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

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

Amounts recognised in the balance sheet at 29 September 2018

	29 September 2018	30 September 2017
	£'000	£'000
Fair value of assets	77,408	78,065
Present value of funded obligations	(81,423)	(83,573)
Impact of asset ceiling	(2,281)	(1,600)
Deficit	(6,296)	(7,108)

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018 CONTINUED

23. PENSIONS CONTINUED

Amounts recognised in other comprehensive income

	29 September 2018	30 September 2017
	£'000	£'000
Return on plan assets	14	1,132
Actuarial losses arising from changes in:		
Demographic assumptions	(379)	1,713
Financial assumptions	1,305	4,363
Total actuarial gain	926	6,076
Impact of asset ceiling	(645)	(1,600)
Deferred tax on employee benefit scheme	(50)	(1,217)
Total amount recognised in other comprehensive income	245	4,391

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018 CONTINUED

23. PENSIONS CONTINUED

The following figures are based on a full actuarial valuation performed in April 2017 and March 2017 for the Shoe Zone and Shoefayre schemes respectively which was carried out by a qualified independent actuary. This actuarial valuation has been updated to 29 September 2018 for the purpose of calculating the pension deficit and disclosures in the current period.

Post retirement mortality

	29 September 2018	30 September 2017
	Years	Years
Life expectancy		
Male currently aged 45	90	90
Female currently aged 45	92	92
Male currently aged 65	88	88
Female currently aged 65	90	90

Financial assumptions

	29 September 2018	30 September 2017
	%	%
Deferred pension revaluation	2.55	2.55
Pension increases	3.40	3.40
Discount rate	2.85	2.75
Consumer Price Index	2.55	2.55
Retail Price Index	3.55	3.55

The weighted average duration of the defined benefit obligation for the Shoe Zone scheme at 29 September 2018 is 17 years (30 September 2017 : 17 years).

The weighted average duration of the defined benefit obligation for the Shoefayre scheme at 29 September 2018 is 19 years (30 September 2017 : 19 years).

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018 CONTINUED

23. PENSIONS CONTINUED

Defined benefit scheme - Shoe Zone Pension Scheme Assets

Assets

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

Asset category	29 September 2018	30 September 2017
Equities	21%	30%
Property	10%	10%
Gilts/bonds	18%	14%
Cash	1%	1%
Diversified Growth Funds	40%	32%
Liability Driven Investment	10%	13%
	100%	100%

The actual return on the Scheme's assets net of expenses over the period to the review date was a gain of £1,352,000 (30 September 2017: £2,292,000).

The assets do not include any investments in shares of the company.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018 CONTINUED

23. PENSIONS CONTINUED

Amounts recognised in the income statement over the period

	29 September 2018	30 September 2017
	£'000	£'000
Interest cost	(1,252)	(1,190)
Expected return on assets	1,297	1,122
Interest on asset restriction	(45)	-
	-	(68)

Amounts recognised in the statement of financial position

	29 September 2018	30 September 2017
	£'000	£'000
Fair value of assets	47,372	48,286
Present value of funded obligations	(45,091)	(46,686)
Surplus	2,281	1,600
Impact of asset ceiling	(2,281)	(1,600)
Net defined benefit liability	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018 CONTINUED

23. PENSIONS CONTINUED

Defined benefit scheme - Shoe Zone Pension Scheme (continued)

Amounts recognised in other comprehensive income

	29 September 2018	30 September 2017
	£'000	£'000
Return on plan assets	55	1,170
Actuarial gains arising from changes in:		
Demographic assumptions	(164)	878
Financial assumptions	645	2,397
Total actuarial gain	481	3,275
Changes in effect of asset ceiling	(645)	(1,600)
Deferred tax on employee benefit scheme	19	(618)
Total amount recognised in other comprehensive expense	(90)	2,227

Reconciliation of assets and defined benefit obligation

The change in assets over the period was:

	29 September 2018	30 September 2017
	£'000	£'000
Fair value of assets at the beginning of the period	48,286	47,556
Expected return on assets	1,297	1,122
Company contributions	109	54
Benefits paid	(2,366)	(1,616)
Actuarial gain	55	1,170
Fair value of assets at the end of the period	47,381	48,286

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018 CONTINUED

23. PENSIONS CONTINUED

Defined benefit scheme - Shoe Zone Pension Scheme (continued)

The change in defined benefit obligation over the period was:

	29 September 2018	30 September 2017
	£'000	£'000
Defined benefit obligation at the beginning of the period	46,686	50,387
Interest cost	1,252	1,190
Benefits paid	(2,366)	(1,616)
Actuarial gain	(481)	(3,275)
Defined benefit obligation at the end of the period	45,091	46,686

Contributions of £111,000 are expected to be made during the year ended 5 October 2019 by Shoe Zone Retail Limited.

Sensitivity of the value placed on the liabilities:

Adjustments to assumptions	Approximate effect on liabilities
Discount rate	
Plus 0.50%	-7%
Minus 0.50%	+8%
Inflation	
Plus 0.50%	+2%
Minus 0.50%	-2%
Life Expectancy	
Plus 1.0 years	+4%
Minus 1.0 years	-4%

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018 CONTINUED

23. PENSIONS CONTINUED

Defined benefit scheme - Shoefayre Limited Pension and Life Assurance Scheme

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

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

Asset Category	29 September 2018	30 September 2017
Equities	19%	18%
Property	13%	13%
Gilts/bonds	13%	13%
Cash	0%	0%
Diversified Growth Funds	39%	39%
Liability Driven Investment	16%	17%
	100%	100%

The actual return on the Scheme's assets net of expenses over the period to the review date was a gain of £771,000 (30 September 2017: £697,000). 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

	29 September 2018	30 September 2017
	£'000	£'000
Fair value of assets	30,036	29,779
Present value of funded obligations	(36,332)	(36,887)
Net liability	(6,296)	(7,108)

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018 CONTINUED

23. PENSIONS CONTINUED

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

Amounts recognised in other comprehensive income

	29 September 2018	30 September 2017
	£'000	£'000
Loss on plan assets	(41)	(38)
Actuarial gains arising from changes in:		
Demographic assumptions	(215)	835
Financial assumptions	660	1,965
Total actuarial loss	445	2,800
Deferred tax on employee benefit scheme	(68)	(599)
Total amount recognised in other comprehensive income	336	2,163

Amounts recognised in the income statement over the period

	29 September 2018	30 September 2017
	£'000	£'000
Interest cost	(999)	(973)
Expected return on assets	812	735
	(187)	(238)

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018

CONTINUED

23. PENSIONS

CONTINUED

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

Reconciliation of assets and defined benefit obligation

The change in assets over the period was:

	29 September 2018	30 September 2017
	£'000	£'000
Fair value of assets at the beginning of the period	29,779	32,148
Expected return on assets	812	735
Employer contributions	595	595
Benefits paid	(1,109)	(3,661)
Actuarial loss on assets	(41)	(38)
Fair value of assets at the end of the period	30,036	29,779

The change in defined benefit obligation over the period was:

	29 September 2018	30 September 2017
	£'000	£'000
Defined benefit obligation at the beginning of the period	36,887	42,375
Interest cost	999	973
Benefits paid	(1,109)	(3,661)
Actuarial gain on obligation	(445)	(2,800)
Defined benefit obligation at the end of the period	36,332	36,887

Contributions of £808,000 are expected to be made during the year ended 5 October 2019 by Shoe Zone Retail Limited.

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018

CONTINUED

23. PENSIONS

CONTINUED

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

Sensitivity of the value placed on the liabilities:

Adjustments to assumptions	Approximate effect on liabilities
Discount rate	
Plus 0.50%	-8%
Minus 0.50%	+10%
Inflation	
Plus 0.50%	+5%
Minus 0.50%	-4%
Life Expectancy	
Plus 1.0 years	+4%
Minus 1.0 years	-4%

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

24. CASH AND CASH EQUIVALENTS

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

	29 September 2018	30 September 2017
	£'000	£'000
Cash at banks and in hand	15,682	11,786
Cash and cash equivalents	15,682	11,786

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018

CONTINUED

25. RELATED PARTY TRANSACTIONS

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

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

	52 weeks ended 29 September 2018	52 weeks ended 30 September 2017
	£'000	£'000
Rent paid to Zone Executive Pension Scheme	163	163
Contributions to the:		
Shoe Zone Worksave Pension Plan	957	924
Shoe Zone Pension Scheme	109	56
Shoefayre Limited Pension and Life Assurance Scheme	595	595
	1,824	1,738

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

	52 weeks ended 29 September 2018	52 weeks ended 30 September 2017
	£'000	£'000
Short term employee benefits	1,121	949
Post-employment benefit	27	24
Employers national insurance	120	114
	1,268	1,087

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018 CONTINUED

26. EARNINGS PER SHARE

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

	52 weeks ended 29 September 2018	52 weeks ended 30 September 2017
	£'000	£'000
Numerator		
Profit for the year and earnings used in basic and diluted EPS	9,517	7,883
Denominator		
	52 weeks ended 29 September 2018	52 weeks ended 30 September 2017
	No.	No.
Weighted average number of shares used in basic and diluted EPS	50,000,000	50,000,000

27. ULTIMATE CONTROLLING PARTY

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

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 29 SEPTEMBER 2018

	Note	29 September 2018	30 September 2017
		£'000	£'000
Fixed assets			
Investments	2	68,644	68,644
		68,644	68,644
Current assets			
Debtors	3	4	17
		4	17
Creditors: amounts falling due within one year	4	(1,311)	(1,146)
Net current liabilities		(1,307)	(1,129)
Net assets		67,337	67,515
Capital and reserves			
Called up share capital	5	500	500
Merger reserve	6	586	586
Profit and loss account	6	66,251	66,429
Total shareholders' funds		67,337	67,515

The company made a profit during the year of £4,972,000 (2017: £8,933,000).

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

Jonathan Fearn
Chief Financial Officer
Date: 8 January 2019

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018

	Share capital	Merger reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000
At 1 October 2016	500	586	66,596	67,682
Profit for the period	-	-	8,933	8,933
Total comprehensive income for the period	-	-	8,933	8,933
Dividends paid during the year	-	-	(9,100)	(9,100)
Total contributions by and distributions to owners	-	-	(9,100)	(9,100)
At 30 September 2017	500	586	66,429	67,515
Profit for the period	-	-	4,972	4,972
Total comprehensive income for the period	-	-	4,972	4,972
Dividends paid during the year (note 6)	-	-	(5,150)	(5,150)
Total contributions by and distributions to owners	-	-	(5,150)	(5,150)
At 29 September 2018	500	586	66,251	67,337

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 29 SEPTEMBER 2018

1. ACCOUNTING POLICIES

Basis of preparation

The Company's financial period is 52 weeks ended 29 September 2018. The financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The Company has taken advantage of the exemption contained in Section 408(4) of the Companies Act 2006 from presenting its own profit and loss accounts. The profit dealt with in the accounts of the Company was £4,972,000 (30 September 2017: £8,933,000)

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

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

Accounting policies have been applied consistently throughout the period.

Investments

Investments held as fixed assets are stated at cost, less any provision for impairment.

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018 CONTINUED

2. FIXED ASSET INVESTMENTS

	29 September 2018	30 September 2017
	£'000	£'000
Cost	70,586	70,586
Impairment of investment in Castle Acres Development Limited	(1,942)	(1,942)
Total	68,644	68,644

The subsidiaries of the company, all of which are included in the consolidated financial statements, are as follows:

Name of investment	Place of incorporation	Principal activity	Ownership
Castle Acres Development Limited	England & Wales	Non-trading company	100% owned by company
Shoe Zone Retail Limited	England & Wales	Trading company	100% owned by company
Zone Property Limited	England & Wales	Property holding company	100% owned by company
Zone Group Limited	England & Wales	Non-trading company	100% owned by company
Shoe Zone (Ireland) Limited	England & Wales	Non-trading company	100% owned by Shoe Zone Retail Limited
Shoe Zone Pension Trustees Limited	England & Wales	Non-trading company	100% owned by 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 29 SEPTEMBER 2018 CONTINUED

3. DEBTORS

29 September 2018 30 September 2017
£'000 £'000

Prepayments	4	17
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4. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

29 September 2018 30 September 2017
£'000 £'000

Amounts owing to group undertakings	1,293	1,136
Accruals	18	10
	1,311	1,146

5. SHARE CAPITAL

29 September 2018 30 September 2017
£'000 £'000

Allotted, called up and fully paid:

50,000,000 ordinary shares of 1p each	500	500
	500	500

6. RESERVES

Merger reserve **Profit and loss account**
£'000 **£'000**

At 30 September 2017	586	66,429
Profit for the financial period	-	4,972
Dividends paid during the year	-	(5,150)
At 29 September 2018	586	66,251

7. RELATED PARTY TRANSACTIONS

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

Directors and Advisers

Directors

A E P Smith
N J Davis
J C P Smith
J L Fearn
J W Sharman
C J Caminada
M J Collins

Secretary

J L Fearn

Registered office

Haramead Business Centre
Humberstone Road
Leicester
LE1 2LH

Auditor

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

Bankers

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

Registrar

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

Solicitors

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

Corporate broker

Finncap
60 New Broad Street
London
EC2M 1JJ

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Shoe Zone plc (the '**Company**') will be held at its registered office at Haremead Business Centre, Humberstone Road, Leicester, Leicestershire LE1 2LH on Thursday 7 March 2019 at 10.00 a.m. to consider and, if thought fit, pass the resolutions set out below. Resolutions 1 to 14 will be proposed as ordinary resolutions and Resolutions 15 to 17 will be proposed as special resolutions.

1. To receive and adopt the Company's annual accounts for the financial period ended 29 September 2018 and the associated reports of the Directors of the Company and the auditors of the Company.
2. To declare a final dividend of 8.0p per ordinary share for the financial period ended 29 September 2018.
3. To declare a special dividend of 8.0p per ordinary share for the financial period ended 29 September 2018.
4. To re-elect Anthony Smith as a Director.
5. To re-elect Charles Smith as a Director.
6. To re-elect Nick Davis as a Director.
7. To re-elect Jonathan Fearn as a Director
8. To re-elect Charlie Caminada as a Director.
9. To re-elect Jeremy Sharman as a Director.
10. To re-elect Malcolm Collins as a Director
11. To re-appoint PKF Cooper Parry Group Ltd as auditors of the Company to hold office from the conclusion of the annual general meeting until the conclusion of the annual general meeting of the Company to be held in 2020.
12. To authorise the Directors of the Company to determine the remuneration of PKF Cooper Parry Group Ltd as auditors of the Company.
13. That, in accordance with section 366 of the Companies Act 2006 (the '**Act**'), the

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

Company and its subsidiaries be and are hereby authorised, in aggregate, to:

- a. make political donations to political parties and/or independent election candidates, not exceeding £50,000.00 in total;
- b. make political donations to political organisations other than political parties, not exceeding £50,000.00 in total; and
- c. incur political expenditure, not exceeding £50,000.00 in total,

such authority to expire on the earlier of 31 March 2020 and the conclusion of the Annual General Meeting of the Company to be held in 2020. 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.

14. That, in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date of the passing of this resolution, the Directors of the Company be and are hereby generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act 2006 (the '**Act**') to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company:
 - a. up to an aggregate nominal amount of £166,666.00; and
 - b. up to an aggregate nominal amount of £333,332.00 (such amount to be reduced by any shares allotted, or rights to subscribe for or to convert any security into shares granted, under paragraph (a) of this resolution) in connection with an offer by way of a rights issue:
 - i. to holders of ordinary shares of £0.01 each in the capital of the Company in proportion (as nearly as may be practicable) to their existing holdings; and
 - ii. to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary or permitted by the rights of those securities,

and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements or securities represented by depositary receipts, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter, provided that this authority shall expire on the earlier of 31 March 2020 and the conclusion of the Annual General Meeting of the Company to be held in 2020, 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.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

15. That, subject to the passing of resolution 14 proposed at the annual general meeting of the Company convened for 7 March 2019 (**'Resolution 14'**) 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 Company 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 14 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 14, 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.

- b. the allotment of equity securities and the sale of treasury shares (other than under paragraph (a) of this resolution) up to an aggregate nominal amount of £25,000.00,

and shall expire on the earlier of 31 March 2020 and the conclusion of the annual general meeting of the Company to be held in 2020, save that the Company may before such expiry make an offer or enter into an agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

16. That, subject to the passing of resolution 14 proposed at the annual general meeting of the Company convened for 7 March 2019 (**'Resolution 14'**) and in addition to any authority granted pursuant to resolution 15 proposed at the annual general meeting of the Company convened for 7 March 2019, 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 14 and/or by way of a sale of treasury

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

shares within the meaning of section 560(3) of the Act, as if section 561(1) of the Act did not apply to any such allotment or sale, provided that this power shall be:

- a. limited to the allotment of equity securities and the sale of treasury shares for cash up to an aggregate nominal amount of £25,000.00; and
- b. used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors of the Company determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the passing of this resolution,

and shall expire on the earlier of 31 March 2020 and the conclusion of the annual general meeting of the Company to be held in 2020, 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.

17. 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 nominal amount of such Ordinary Shares hereby authorised to be acquired by the Company shall not exceed £50,000;
 - b. the price that may be paid by the Company for any of its Ordinary Shares shall not be less than £0.01, being the nominal value of each Ordinary Share, and shall not be greater than the higher of, exclusive of expenses:
 - i. an amount equal to 105% of the average trading price of the Ordinary Shares as derived from the middle market quotations for an Ordinary Share on the London Stock Exchange Daily Official List for the five trading days immediately preceding the date on which a share is contracted to be purchased; and
 - ii. the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out, and

unless previously revoked, renewed, extended or varied, the authority hereby conferred shall expire on the earlier of 31 March 2020 and the conclusion of the annual general meeting of the Company to be held in 2020, save that the Company may before such expiry make an offer or enter into an agreement which would or might require such purchases of Ordinary Shares to be carried out after such expiry and the Directors may carry out such purchases in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

NOTICE OF ANNUAL GENERAL MEETING **CONTINUED**

Form of Proxy

You will not receive a form of proxy for the 2019 Annual General Meeting in the post. Instead, you will receive instructions to enable you to vote electronically and how to register to do so. You will still be able to vote in person at the Annual General Meeting, and may request a hard copy form of proxy directly from the registrars. Further details of these arrangements are set out in the notes to this notice of Annual General Meeting.

By order of the Board

Jonathan Fearn
Company Secretary
Date: 8 January 2019

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

NOTES

1. ATTENDING THE ANNUAL GENERAL MEETING IN PERSON

If you wish to attend the Annual General Meeting in person, you should arrive at the venue for the Annual General Meeting in good time to allow your attendance to be registered. It is advisable to have some form of identification with you as you may be asked to provide evidence of your identity to the Company's registrar, Link Asset Services (the '**Registrar**'), prior to being admitted to the Annual General Meeting.

2. ONLINE VOTING

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

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

3. APPOINTMENT OF PROXIES

Members are entitled to appoint one or more proxies to exercise all or any of their rights to attend, speak and vote at the Annual General Meeting. A proxy need not be a member of the Company but must attend the Annual General Meeting to represent a member. To be validly appointed, a proxy must be appointed using the procedures set out in these notes. If members wish their proxy to speak on their behalf at the meeting, members will need to appoint their own choice of proxy (not the Chairman of the Annual General Meeting) and give their instructions directly to them.

Members can only appoint more than one proxy where each proxy is appointed to exercise rights attached to different shares. Members cannot appoint more than one proxy to exercise the rights attached to the same share(s). If a member wishes to appoint more than one proxy, they should contact the Registrar at 34 Beckenham Road, Beckenham, Kent BR3 4TU or by telephone on 0871 664 0300. Calls cost 12p per minute plus your phone company's access charge. If you are outside the United Kingdom, please call +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9.00 a.m. to 5.30 p.m. (London time) Monday to Friday excluding public holidays in England and Wales. A member may instruct their proxy to abstain from voting on any resolution to be considered at the Annual General Meeting by marking the 'Vote Withheld' option when appointing their proxy. It should be noted that a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes 'For' or 'Against' the resolution.

The appointment of a proxy will not prevent a member from attending the Annual General Meeting and voting in person if they wish.

4. APPOINTMENT OF A PROXY USING A FORM OF PROXY

Members may request a hard copy proxy form directly from Registrar on 0871 664 0300. Calls cost 12p per minute plus your phone company's access charge. If you are outside the United Kingdom, please call +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9.00 a.m. to 5.30 p.m. (London time) Monday to Friday excluding public holidays in England and Wales.

To be valid, a Form of Proxy or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, must be received by post or (during normal business hours only) by hand by the Registrar at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 48 hours before the time of the Annual General Meeting or any adjournment of that meeting.

5. APPOINTMENT OF A PROXY THROUGH CREST

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

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

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

It is the responsibility of the CREST member concerned to take (or, if the CREST member

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

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

6. APPOINTMENT OF A PROXY BY JOINT HOLDERS

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

7. CORPORATE REPRESENTATIVES

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

8. ENTITLEMENT TO ATTEND AND VOTE

To be entitled to attend and vote at the Annual General Meeting (and for the purpose of determining the votes they may cast), members must be registered in the Company's register of members at 6.00 p.m. on 5 March 2019 (or, if the Annual General Meeting is adjourned, at 6.00 p.m. on the day two days (excluding non-working days) prior to the adjourned meeting). Changes to the register of members after the relevant deadline will be disregarded in determining the rights of any person to attend and vote at the Annual General Meeting.

9. VOTING RIGHTS

As at 8 January 2019 the Company's issued share capital consisted of 50,000,000 ordinary shares of £0.01 each carrying one vote each. 75,000 shares are held by the Company in treasury. Therefore, the total voting rights in the Company as at 8 January 2019 were 49,925,000 votes.

Shoe Zone plc

Annual Report & Accounts 2018

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