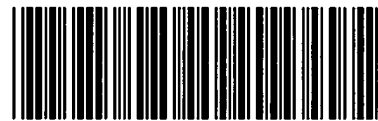


Registered Number 00148038

Shoe Zone Retail Limited
Annual Report and Financial Statements
for the 52 weeks ended 1 October 2022

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Shoe Zone Retail Limited

Financial statements for the 52 weeks ended 1 October 2022

	Page
Directors and advisers.....	1
Strategic report for the 52 weeks ended 1 October 2022	2
Directors' report for the 52 weeks ended 1 October 2022	6
Independent auditor's report to the members of Shoe Zone Retail Limited.....	12
Income statement for the 52 weeks ended 1 October 2022.....	15
Statement of total comprehensive income for the 52 weeks ended 1 October 2022	16
Statement of financial position as at 1 October 2022	17
Statement of changes in equity for the 52 weeks ended 1 October 2022	18
Notes to the financial statements for the 52 weeks ended 1 October 2022.....	19

Shoe Zone Retail Limited

Directors and advisers

Directors

A E P Smith
J C P Smith
T M Boot
C A Bowen
C A Howes (resigned 5th August 2022)
S D Orr

Secretary

C A Bowen

Registered office

Haramead Business Centre
Humberstone Road
Leicester
LE1 2LH

Auditor

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

Bankers

NatWest
1 Granby Street
Leicester
LE1 9GT

Shoe Zone Retail Limited

Strategic report for the 52 weeks ended 1 October 2022

Chief Executive's report

Shoe Zone had a very positive year due to trading for the full 52 weeks, strong trading over our key back to school period and due to the incredible hard work from our teams.

Revenues for the year were £156.2m (2021: £119.1m). Within this, stores were £129.8m (2021: £88.6m), due to continuous trading, (2021: 36 weeks). Digital revenues were £26.4m (2021: £30.5m), a reduction of 13.47% which was in line with management expectations post pandemic.

Profit before tax was £13.7m (2021: £9.6m).

Our net cash at the end of the year was £24.4m (2021: £14.6m) In the period we paid off the final £4.4m of the CLBILS COVID loan and are debt free.

Our business strategy of Digital, Big Box and Hybrid stores has been refreshed and we have accelerated change across all three formats.

Digital

Digital continues to be a key area and has traded strongly over the last 12 months. Revenue was 13.6% down on 2021 but is in line with management expectations post pandemic. We continue to invest in our Digital infrastructure and we have further automated the distribution centre by the addition of two automated bagging machines which significantly improves throughput. We have redesigned our check out page, introduced two buy now pay later providers (Klarna and Paypal), and have added new dropship partners.

Digital revenue was £26.4m, 16.9% of total revenues (2021: £30.6m, 25.7%, 2020: £19.3m) growth of 37% on a 2-year basis. Trading contribution was £7.0m (2021: £8.5m). The gross margin achieved was 58.1% (2021: 57.8%).

The email database grew to 1.21m (2021:1.06m) of engaged members with the conversion rate growing to 5.5% (2021: 4.8%). Revenue reduced year on year in line with management expectation. Email revenue £18.8m (2021: £23.4m), paid revenue £3.6m (2021: £3.9m), affiliates £2.3m (2021: £2.4m), eBay £1.2m (2021: £1.8m) and Amazon increased to £9.9m (2021: £8.8m).

The returns rate for the year was 11.3% (2021: 8.6%, 2020: 11.6%) and was more consistent with pre pandemic levels.

Big Box & Hybrid

Big Box numbers are now at 45. Revenue was £24.3m (2021: £17.8m) with a contribution of £3.2m (2021: £0.6m).

We have 44 (2021: 16) Hybrid stores with a revenue of £19.1m (2021: £4.1m) and a contribution of £3.4m (2021: £0.3m).

Both of these formats have performed extremely well and are key to the property portfolio transformation over the next 3 years, as we continue to refit and relocate existing Shoe Zone stores.

Product

Our Big Box stores offer 650 styles per season (350 branded), Hybrid stores offer 475 styles per season (175 branded) and original stores offer 300 core styles per season. As we refit existing stores to our new formats, the branded mix will continue to form a higher proportion of our overall sales.

Our Digital shoehub platform offers the full store ranges plus approximately 2,500 online exclusive styles per season which will grow to at least 4,000 over the next 12 months.

Property

We ended the period trading from 360 stores, having closed 63 stores, opened 13 new stores and converted a further 11 existing stores to our new formats.

Our average lease length is 1.8 years, giving us the opportunity to respond to changes in any retail location at short notice. Property supply continues to outstrip demand and we will take advantage of this and significantly improve our property portfolio over the medium term.

Total capital expenditure was £5.2m (2021: £1.4m), of which £3.1m was for our refit and relocation programme.

Shoe Zone Retail Limited

Strategic report for the 52 weeks ended 1 October 2022 (continued)

We achieved rent reductions on 48 store renewals of £0.6m (2021: £1.9m) on an annualised basis, an average reduction of 30.0% (2021: 52.9%).

Outlook

We continue to accelerate our store refit and relocation programme and to drive our digital lead strategy on the back of these solid set of results. The hard work completed to reduce costs, streamline operations and accelerate investment, positions us well for the year ahead.

Capital expenditure

We will spend a minimum of 3-4% of sales per annum to cover 50 store projects (35 new relocations and 15 refits) and Head Office infrastructure changes, IT projects and vehicles.

Property

We continue to transform our property portfolio with relocations/new stores being partially funded by landlords through rent free periods of typically 12 months.

We will see a number of existing stores refitted to our new formats and many stores relocated to prime locations within key towns at lower rents.

We ended the year with 45 Big Box, 44 Hybrid and 271 Original stores. This year we expect to relocate or open a further 35 stores and continue to close a number of older stores, and we will refit a minimum of 15 stores to our new formats.

Digital

We will continue to invest in our Digital Shoehub platform and in the next 12 months we will implement a new returns portal, introduce Google pay, Apple pay and Clearpay.

Product

We expect markdown levels and product margin levels to be maintained. Supplier payments remain up to date as they did at the year-end. Our buying and shipping teams are doing an exceptional job of managing the direct from factory supply chain, which is still very volatile, and we are confident we are performing better than the market average.

Conclusion

A lot of work undertaken in the last 2 years underpins our strategy as we look forward with cautious optimism going into the New Year a stronger and more resilient business, especially having reached our goal of becoming debt free 2 years earlier than expected.

The pipeline of property projects gives us confidence the Company's performance will be in line with market expectations as we look to accelerate our refit and relocation programme, which is showing strong results.

People form a key part of our business success, even more so as we look forward to the next generation of our strategy. We will continue to invest in our team by increasing training and career development plans, offering more qualification sponsorship.

I would like to thank all of our Shoe Zone team for their amazing support and commitment over the last 12 months.

Shoe Zone Retail Limited

Strategic report for the 52 weeks ended 1 October 2022 (continued)

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

The Directors have acted in a way that they consider, in good faith, promotes the success of the Company for the benefit of its members as a whole, and in doing so have given regard to (amongst other matters):

External relationships

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

The Company's policy for the payment of suppliers is to agree payment terms in advance and to abide by such terms.

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

Our people

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

All employees are able to contribute to the ongoing success of the business through regular contact between management and employees. We promote equal opportunities and do not tolerate discrimination of any kind. We operate a non-contractual profit share scheme that rewards employees based on the overall company profit performance. Details on the number of people employed can be found in note 6 of the financial statements.

The Board meets regularly and communicates with our people on a regular basis to ensure they all understand our strategic objectives both short and long-term.

Charity

We donated over £350,000 to charitable causes. These donations are mainly targeted at children in poverty/difficult circumstances locally, nationally and internationally and delivered via The Shoe Zone Trust and we commit to contributing at least 2% of profits into the trust each year.

Environment

We recognise the impact of our activities on the environment. We continually review our consumption of single use plastics and have eliminated them in all own label products. We recycle all cardboard and plastic waste from our stores and Head Office. We use sea transportation to reduce emissions, we use 100% renewable sources, our distribution centre is powered by solar panels, gas boilers are being replaced by heat pumps in a number of stores, we are replacing existing lighting with more efficient LED lighting, and we have taken delivery of our first all electric car.

Political donations

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.

Shoe Zone Retail Limited

Strategic report for the 52 weeks ended 1 October 2022 (continued)

Financial review

In the 52 weeks to 1 October 2022, total revenues were £156.2m (2021: £119.1m) having traded for the full 52 weeks (FY 2021: 36 weeks). We ended the year with 360 stores (2021: 410) having closed 63 and opened 13.

Profit before Tax was £13.7m (2021: £9.6m), adjusted by profit on sale of freeholds (£1.4m) and foreign exchange gains on revaluation (£1.0m), therefore an adjusted Profit before Tax of £11.3m. The year on year increase is primarily due to the 52 weeks of continuous trade compared to 36 weeks in the FY 2021 and strong second half trading which included our key back to school period. We continue to actively reduce our cost base in all areas of the business and have reduced our rent bill through proactive discussions with landlords with further savings on renewals.

Digital revenues stood at £26.4m (2021: £30.5m) a reduction of 13.6%. The reduction reflects a return to a normalised level of revenue post pandemic and is in line with management expectations, but is significantly ahead of pre-pandemic levels. Profit contribution from Digital was £7.0m (2021: £8.5m) in the year.

Product margins were broadly in line with last year at 61.2% (2021: 61.5%). This is due to contrasting impacts of increasing container prices and a higher mix of lower margin branded product, and improved stock management due to less supply chain volatility.

Statutory gross profit increased to £36.4m (2021: £32.5m) due to the normalised trading period post pandemic. Cost of sales increased by £31.1m due to higher stock purchases £22.8m, COVID related retail grants not received £6.9m, branch wages increase post furlough £8.0m, offset by a reduction in rents £1.9m and a reduction in Right of Use Assets depreciation £2.3m.

Admin expenses reduced by £0.3m to £16.5m (2021: £16.8m) due to the profit on sale of 14 freehold properties £1.4m, a forex gain movement of £1.0m, offset by an increase in the contribution to the Shoe Zone Trust £0.5m, higher repairs and dilapidation cost £0.6m, higher salaries post furlough £0.5m and other asset write offs and impairment costs £0.5m.

Distribution costs increased by £0.6m to £5.1m (2021: £4.5m), due to higher warehouse and distribution wages post furlough £0.4m and Distribution fuel costs £0.2m.

The corporation tax charge through the P&L is £2.7m (2021: tax charge of £2.4m).

Stock levels increased by £7.1m to £32.2m (2021: £25.1m), which is due to the earlier timing of deliveries of Winter 2022 product and an increase in the proportion of higher value branded product. Last year end c£4.0m of stock was delayed due to supply chain disruption and in this financial year a portion of the AW 2022 product was delivered earlier to ensure supply.

Capital expenditure increased to £5.2m (2021: £1.4m) as we restarted our programme of store relocations and refits to expand our Hybrid formats. We also invested £1.0m in our central distribution centre to further improve our Digital efficiency. This total is the gross value expended and is partially offset by £1.0m of rent free cash received via landlords when we relocate stores.

At the year-end the net cash was £24.4m (2021: £14.6m). During the year we paid off the remaining £4.4m CLBILS loan to take us once again to a debt free position. The increase in cash is due to the higher level of profitability from trading activities and the additional £3.6m from the sale of 14 freehold properties, offset by the additional capital expenditure of £3.0m. We have £7.0m cash on deposit (£5.0m 3 months, £2.0m 12 months).

The pension liability in the schemes reduced by £7.7m to a surplus of £1.8m (2021: deficit £5.9m) We show a zero position on the statement of financial position due to the effect of an asset ceiling. The reduction is due to an increase in bond yields which reduces the value placed on the scheme's liabilities and positive assumption moves in mortality rates. This is partially offset by lower than expected investment returns and a rise in future inflation expectations.

The Company 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.

Shoe Zone Retail Limited

Directors' report for the 52 weeks ended 1 October 2022

The Directors present their Annual Report and audited financial statements of the Company for the 52 weeks ended 1 October 2022.

Principal activity

The principal activity of the Company continues to be footwear retailing in United Kingdom.

Results and Dividends

The current accounting period shows results for 52 weeks ending 1 October 2022. The profit before tax was £13.7m (52 weeks ended 2 October 2021: Profit before tax £9.6m).

The company has net assets of £39.6m at 1 October 2022 (2 October 2021 £24.7m).

The directors declared and paid a dividend of £1.25m (2 October 2021: Nil).

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

The Company

Shoe Zone Retail Limited (the 'Company') is a Company incorporated and domiciled in the UK, with the registered company number 00148038.

Directors

The Directors who held office during the year and up to the date of signing the financial statements are listed on the directors and advisors page.

Directors' Indemnities

The Company maintains liability insurance for directors and officers as permitted by section 234 of the Companies Act 2006.

Employees

The Company employed 2,756 (02 October 2021: 2,961) employees at the year end.

The Company policy is to actively involve its employees in the business to ensure that matters of concern to them, including the Company 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 Company's activities.

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

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

Shoe Zone Retail Limited

Directors' report for the 52 weeks ended 1 October 2022 (continued)

Financial risk management

The Company'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 Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company by monitoring the management of net cash, and the related finance income and costs. As the Company 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 Company 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 Company's bankers and relevant advisors on the suitability of these currency contracts in respect of the timings and rate. The Company 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.

The strategic report was approved by the Board.

On behalf of the Board



Anthony Smith
Chief Executive
Date: 31st May 2023

Shoe Zone Retail Limited

Directors' report for the 52 weeks ended 1 October 2022 (continued)

Streamlined Energy and Carbon Reporting (SECR)

	2022	2021
Energy consumption breakdown (MWh):		
Electricity	13,989	8,925
Natural gas	2,910	3,105
Transport fuel	4,373	3,056
Other fuels	-	-
Totals	21,272	15,086
Greenhouse gas emissions (tCO ₂ e):		
From combustion of fuel		
Natural gas	531.19	568.66
Transport fuel for company vehicles	1,047.25	722.60
Transport fuel for rental vehicles	-	-
Other fuels	-	-
Subtotal	1,578.44	1,291.26
From Purchased Electricity, Steam, Heat & Cooling	2,705.22	1,895.18
From Other Activities inc. Process & Fugitive	7.82	5.85
Subtotal	2,713.04	1,901.03
Total gross emissions	4,291.48	3,192.29
Renewable electricity	-	-
Carbon offsets	-	-
Domestic carbon units	-	-
Total net emissions	4,291.48	3,192.29
Intensity ratios		
Annual MWh per £m Turnover	136.22	126.63
Annual tCO ₂ e per £m Turnover	27.48	25.79

Shoe Zone Retail Limited

Directors' report for the 52 weeks ended 1 October 2022 (continued)

The intensity ratios indicate a worsening position if compared to 2021, which is not the best comparison. The table below reports the 2020 figures which are more comparable, and shows the ratios improving on a two year basis.

SECR	2022	2021	2020
Energy consumption (MWH)	21,272	15,086	20,783
Total Net Emissions	4,291	3,192	4,909
Intensity - MWH per Turnover	136.22	126.63	169.57
Intensity - tCO2e per Turnover	27.48	26.79	30.45

The Company continues various strategies to improve our carbon performance these include:

- Working with our suppliers to review plastic and card used in packaging and when labelling our products
- Reviewing and increasing our recycling strategies including initiatives at all of our retail outlets as well as our Distribution Centre and head office sites.
- Instigate a policy review into single use plastics
- Review of delivery schedules to all of our stores to further improve efficiency and to reduce deliveries and idle time.
- Review into the use of both hydrogen powered and electric HGV/car vehicles

Initiatives in place:

- We use 100% renewable energy sources and part of our distribution centre is powered by solar panels.
- Gas boilers are being replaced with efficient heat pumps in a number of stores.
- Our Head office and distribution centre is equipped with high efficient LED lighting.
- We have a programme in place to better insulate stores and to change to LED lighting as we continue through our refits; and
- We have taken delivery of our first fully electric car.

Future

- We are currently exploring the possibility of an instore scheme for recycling end of life shoes to reduce overall waste. This initiative is in conjunction with two Universities and a number of footwear retailers.

Shoe Zone Retail Limited

Directors' report for the 52 weeks ended 1 October 2022 (continued)

Going Concern

The Directors consider that the business is a going concern and that it is appropriate to prepare the financial statements on a going concern basis. In reaching this conclusion, the Directors have assessed the Company's current performance and position and factors that may affect the Company's future prospects.

The Company's financial position remains satisfactory. During the pandemic the company took a COVID-19 Large Business Interruption Loan Scheme (CLBILS) loan of £15.0m, at the end of last year the outstanding balance was £4.4M, which was fully repaid in January 2022. The Directors have reviewed forecasts and projections and consider that the Company has adequate banking facilities and cash resources to meet its operational and capital commitments.

Digital performance movement combined with the satisfactory cash position gives the Directors a reasonable basis on which to satisfy themselves that the business is a going concern. The Company has prepared forecasts and budgets which show sufficient cash to meet its day to day liabilities as they fall due. On that basis, the directors have prepared the financial statements on a going concern basis.

Events after the year-end

Between 2 October 2021 and the date of this report, there have been no material events that need to be reported in the financial statements. 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including financial reporting standard 101 reduced framework disclosure (FRS 101). 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 Company and company and of the profit or loss of the Company for that period.

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 FRS 101, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Shoe Zone Retail Limited

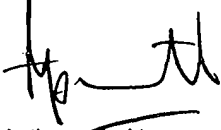
Directors' report for the 52 weeks ended 1 October 2022 (continued)

Disclosure of information to auditor

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

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

Approved by the Board and signed on its behalf:



Anthony Smith
Chief Executive
Date: 31st May 2023

Shoe Zone Retail Limited

Independent auditor's report to the members of Shoe Zone Retail Limited

Opinion

We have audited the financial statements of Shoe Zone Retail Limited (the 'company') for the 52 weeks ended 01 October 2022 which comprise the income statement, the statement of total comprehensive income, the statement of financial position, the statement of changes in equity, the statement of financial position, 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 company financial statements is applicable law and International Financial Reporting 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 company's affairs as at 01 October 2022 and of the profit for the 52 weeks then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; comprising FRS 101 'Reduced Disclosure Framework', and applicable law);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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Shoe Zone Retail Limited

Independent auditor's report to the members of Shoe Zone Retail Limited

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 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 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 19, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our assessment focused on key laws and regulations the company has to comply with and areas of the financial statements we assessed as being more susceptible to misstatement. These key laws and regulations included but were not limited to compliance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice and relevant tax legislation

Shoe Zone Retail Limited

Independent auditor's report to the members of Shoe Zone Retail Limited

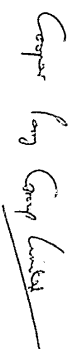
We are not responsible for preventing irregularities. Our approach to detecting irregularities included, but was not limited to, the following:

- obtaining an understanding of the legal and regulatory framework applicable to the company and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the financial reporting framework, being international accounting standards in conformity with the Companies Act 2006;
- obtaining an understanding of how the company is complying with those legal and regulatory frameworks by making enquiries of management, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of board minutes;
- obtaining an understanding of the entity's policies and procedures and how the entity has complied with these, through discussions and sample testing of controls;
- obtaining an understanding of the entity's risk assessment process, including the risk of fraud;
- designing our audit procedures to respond to our risk assessment; and
- performing audit testing over the risk of management override of controls; our audit procedures involved:
 - testing of journal entries and other adjustments for appropriateness, with a focus on manual journals including those with unusual account combinations;
 - evaluating the business rationale of significant transactions outside the normal course of business;
 - challenging assumptions and judgements made by management in its significant accounting estimates, specifically those in relation to the dilapidation provision, the defined benefit pension scheme deficit and the value of the derivative financial instruments;
 - including testing of journal entries with a focus on material manual journals and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business, and reviewing accounting estimates for bias, specifically in relation to the dilapidation provisions, the defined benefit pension scheme deficit and the value of the derivative financial instruments.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery, or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statement, the less likely we could become aware of it.
- The engagement partner assessed whether the engagement team collectively had the appropriate competence and capabilities to identify and recognise non-compliance with laws and regulations through the following:
 - Understanding of, and practical experience with, audit engagement of a similar nature and complexity,
 - through appropriate training and participation; and
 - Knowledge of the industry in which the client operates.

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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Catherine Kelly (Senior Statutory Auditor)
For and on behalf of Cooper Parry Group Limited
Chartered Accountants and Statutory Auditor
Skyview

Agosy Road
East Midlands Airport
Castle Donnington
Derby
DE74 2SA
Date: 01 June 2023

Shoe Zone Retail Limited

Income statement for the 52 weeks ended 1 October 2022

	Note	52 weeks ended 1 October 2022 £'000	52 weeks ended 2 October 2021 £'000
Revenue	3	156,164	119,142
Cost of sales	4	(119,764)	(86,667)
Gross profit		36,400	32,475
Administration expenses	4	(16,508)	(16,819)
Distribution costs	4	(5,104)	(4,499)
Profit from operations		14,788	11,157
Finance income	8	-	-
Finance expense	8	(1,113)	(1,558)
Profit before taxation		13,675	9,599
Taxation	9	(2,718)	(2,442)
Profit attributable to equity holders of the parent		10,957	7,157

Shoe Zone Retail Limited

Statement of total comprehensive income for the 52 weeks ended 1 October 2022

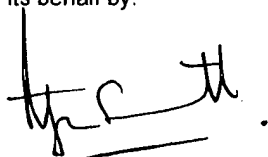
	Note	52 weeks ended 1 October 2022 £'000	52 weeks ended 2 October 2021 £'000
Profit for the year		10,957	7,157
Items that will not be reclassified subsequently to the income statement			
Remeasurement gains on defined benefit pension scheme	25	5,798	3,379
Movement in deferred tax on pension schemes	21	(1,505)	761
Items that will be reclassified subsequently to the income statement			
Fair value movements on cash flow hedges		1,129	(190)
Tax on cash flow hedges		(226)	56
Other comprehensive income for the year		5,196	4,006
Total comprehensive income for the year attributable to equity holders of the parent		16,153	11,163

Shoe Zone Retail Limited

Statement of financial position as at 1 October 2022

Registered Number 00148038	Note	52 weeks ended 1 October 2022 £'000	52 weeks ended 2 October 2021 £'000
Assets			
Non-current assets			
Tangible assets	11	12,582	14,227
Right-of-use assets	12	25,581	30,884
Deferred tax asset	21	720	3,220
Total non-current assets		38,883	48,331
Current assets			
Stocks	13	32,188	25,131
Debtors	14	8,988	7,252
Cash at bank and in hand	26	24,427	19,015
		65,603	51,398
Creditors: amounts falling due within one year	16	(40,188)	(39,802)
Net current assets		25,415	11,596
Total assets less current liabilities		64,298	59,927
Current liabilities			
Creditors: amounts falling due after one year	17	(20,975)	(25,942)
Provisions for liabilities and charges	19	(3,770)	(3,426)
Net assets excluding pension liability		39,553	30,559
Provisions for liabilities – pension liability		-	(5,909)
Net assets including pension liability		39,553	24,650
Equity attributable to equity holders of the company			
Called up share capital	22	10,050	10,050
Capital redemption reserve		38	38
Cash flow hedge reserve		653	(250)
Retained earnings		28,812	14,812
Total equity and reserves		39,553	24,650

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



Anthony Smith
Chief Executive
Date 31st May 2023

Shoe Zone Retail Limited

Statement of changes in equity for the 52 weeks ended 1 October 2022

	Share capital	Capital redemption reserve	Cash flow hedge reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
At 4 October 2020	10,050	38	(116)	3,515	13,487
Profit for the year	-	-	-	7,157	7,157
Defined benefit pension movements	-	-	-	3,379	3,379
Cash flow hedge movements	-	-	(190)	-	(190)
Deferred tax on other comprehensive income	-	-	56	761	817
Total comprehensive income for the year	-	-	(134)	11,297	11,163
Dividends paid during the year (note 11)	-	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-	-
At 2 October 2021	10,050	38	(250)	14,812	24,650
At 2 October 2021	10,050	38	(250)	14,812	24,650
Profit for the year	-	-	-	10,957	10,957
Defined benefit pension movements	-	-	-	5,798	5,798
Cash flow hedge movements	-	-	1,129	-	1,129
Deferred tax on other comprehensive income	-	-	(226)	(1,505)	(1,731)
Total comprehensive income for the year	-	-	903	15,250	16,153
Dividends paid during the year (note 11)	-	-	-	(1,250)	(1,250)
Total contributions by and distributions to owners	-	-	-	-	-
At 1 October 2022	10,050	38	653	28,812	39,553

Share capital comprises the nominal value of shares subscribed for.

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

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

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

Shoe Zone Retail Limited

Notes to the financial statements for the 52 weeks ended 1 October 2022

1 Accounting policies

Company Information

Shoe Zone Retail Limited is a private company limited by shares incorporated in England and Wales. The Registered office is Haremead Business Centre, Humberstone Road, Leicester, LE1 2LH.

Basis of preparation

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.

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with FRS 101 "Reduced Disclosure Framework". The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest (£'000).

The financial statements are for a period of 52 weeks ended 1 October 2022 (2021: 52 weeks ended 2 October 2021).

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- Certain comparative information as otherwise required by EU endorsed IFRS;
- Certain disclosures regarding the Company's capital;
- A statement of cash flows;
- The effect of future accounting standards not yet adopted;
- The disclosure of remuneration of key management personnel and
- Disclosure of related party transactions with other wholly owned members of Shoe Zone plc.

In addition, and in accordance with FRS 101 further disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of Shoe Zone plc. The financial statements of Shoe Zone plc can be obtained as described in note 29.

These financial statements do not include certain disclosures in respect of:

- Financial instruments (other than certain disclosures required as a result of recording financial instruments at fair value);
- Fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value).

Shoe Zone Retail Limited

Notes to the financial statements for the 52 weeks ended 1 October 2022 (continued)

1 Accounting policies (continued)

Consolidated financial statements

Under the provision of Section 400 of the Companies Act 2006 the Company is exempt from preparing consolidated financial statements as it is a wholly owned subsidiary of Shoe Zone plc which prepares consolidated financial statements. Therefore the financial statements show information about the Company as an individual entity only.

Revenue

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

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

Exceptional Items

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

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

Property, plant and equipment

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

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

Freehold and long leasehold	–	50 years on a straight line basis
Short leasehold and leasehold improvements	–	5-10 years on a straight line basis
Fixtures and fittings	–	5-10 years on a straight line basis
Motor vehicles	–	3-5 years on a straight line basis

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

Shoe Zone Retail Limited

Notes to the financial statements for the 52 weeks ended 1 October 2022 (continued)

1 Accounting policies (continued)

IFRS 16 Leases

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

Leases in which the Company is a lessee

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

Under IFRS 16 on commencement of a lease the Company recognises on the Statement of Financial Position a right of use asset and a lease liability representing its obligation to make payments under the lease.

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

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

The Company has elected to account for short term leases and leases of low-value assets using the practical expedient method. Instead of recognising a right of use asset and a lease liability, the payments for these are treated as an expense on a straight line basis over the term of the lease. The total value of leases/agreements where the company has used the practical expedient are disclosed in note 12.

Leases in which the Company is a lessor

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

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

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

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

- a) As if the Company had applied IFRS 16 since the commencement date using its incremental borrowing rate at the date of initial application; or
- b) Measured at an amount equal to the lease liability at the date of initial application.

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

Shoe Zone Retail Limited

Notes to the financial statements for the 52 weeks ended 2 October 2022 (continued)

1 Accounting policies (continued)

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

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

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

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at year end was 1.82%.

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

(i) Practical expedients applied on transition

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

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

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

(ii) Other non-current assets

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

(iii) Lease liabilities

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

Shoe Zone Retail Limited

Notes to the financial statements for the 52 weeks ended 1 October 2022 (continued)

1 Accounting policies (continued)

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

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

Going Concern

The Directors consider that the business is a going concern and that it is appropriate to prepare the financial statements on a going concern basis. In reaching this conclusion, the Directors have assessed the Company's current performance and position and factors that may affect the Company's future prospects.

The Company's financial position remains satisfactory. During the pandemic the company took a COVID-19 Large Business Interruption Loan Scheme (CLBILS) loan of £15.0m, at the end of last year the outstanding balance was £4.4M, which was fully repaid in January 2022. The Directors have reviewed forecasts and projections and consider that the Company has adequate banking facilities and cash resources to meet its operational and capital commitments.

Digital performance movement combined with the satisfactory cash position gives the Directors a reasonable basis on which to satisfy themselves that the business is a going concern. The Company has prepared forecasts and budgets which show sufficient cash to meet its day to day liabilities as they fall due. On that basis, the directors have prepared the financial statements on a going concern basis.

Shoe Zone Retail Limited

Notes to the financial statements for the 52 weeks ended 1 October 2022 (continued)

1 Accounting policies (continued)

Assets under construction

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

Impairment of non-financial assets

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

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

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

Inventories

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

Financial assets

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

The Company 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 Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

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

Loans and receivables

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

The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents included within the 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 Company 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 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.

Shoe Zone Retail Limited

Notes to the financial statements for the 52 weeks ended 1 October 2022 (continued)

1 Accounting policies (continued)

Financial liabilities

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

- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.
- Bank loan – external loan which is valued at its amortised cost and incurs interest.
- Finance costs are charged to the income statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Derivative financial instruments and hedging activities

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

At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Company'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 Company uses derivative financial instruments such as forward foreign exchange contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially measured at fair value and subsequently remeasured at fair value. The fair value of forward foreign exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

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

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

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

Deferred taxation

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

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

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

Shoe Zone Retail Limited

Notes to the financial statements for the 52 weeks ended 1 October 2022 (continued)

1 Accounting policies (continued)

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

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

Provisions

Provision for dilapidations is made at the best estimate of the expenditure required to settle the obligation at the reporting date, where material, discounted at the pre-tax rate reflecting current market assessments of the time value of money and risks specific to the liability. A dilapidation provision is only recognised on those properties which are likely to be exited. Where such property is identified the full costs expected are recognised. This provision relates to the liability of 'wear and tear' incurred on the leasehold properties and does not include any removal of shop refits as experience indicates that liabilities do not arise for removal of shop refits. Dilapidations are not included in IFRS 16 as they relate to 'wear and tear' and not structural alterations to the buildings.

Foreign exchange

Transactions entered into the Company entities in a currency other than the functional currency are recorded at the average monthly rate prevailing during the year. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date.

Foreign exchange differences are recognised in the income statement.

Retirement benefits – defined contribution and benefit schemes

The Company operates both defined benefit and defined contribution funded pension schemes. The schemes are administered by trustees and are independent of the Company.

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

Defined benefit scheme surpluses and deficits are measured at:

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

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

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

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

Gains or losses arising from changes to scheme benefits or scheme curtailments are recognised immediately in the income statement.

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

Shoe Zone Retail Limited

Notes to the financial statements for the 51 weeks ended 2 October 2022 (continued)

1 Accounting policies (continued)

Dividends

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

Government Grants

Grants are recognised only when there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received. Grants that are receivable as compensation for expenses already incurred are recognised in the Income Statement in the period that they become receivable.

2 Critical accounting estimates and judgements

Shoe Zone Retail Limited 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 Company's 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 26 for further details.

Estimated impairment of store assets:

The Company 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 Company 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 no increase to the impairment charge. A decrease of one percentage point in the growth rate after year three would have resulted in no increase to the impairment charge.

Estimated useful life of property, plant and equipment:

At the date of capitalising property, plant and equipment, the Company estimates the useful life of the asset based on management's judgement and experience. Due to the significance of capital investment to the Company, variances between actual and estimated useful economic lives could impact results both positively and negatively, see note 11.

Shoe Zone Retail Limited

Notes to the financial statements for the 52 weeks ended 1 October 2022 (continued)

Financial instruments – risk management

The Board has overall responsibility for the determination of the Company'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 Company's competitiveness and flexibility. The Company reports in Pound Sterling. All funding requirements and financial risks are managed based on policies and procedures adopted by the Board of Directors. The Company does use forward currency contracts to mitigate foreign exchange risk. The Company does not issue or use financial instruments of a speculative nature.

The Company is exposed to the following financial risks:

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

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

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

Fair value hierarchy

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

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

Judgements

Foreign currency hedge accounting:

Company policy is to adopt hedge accounting for cash flows for the purchase of goods for resale. Due to the degree of judgement in determining forecast cash flows there is a risk that the assumptions made in the effectiveness testing are inappropriate.

Discount rate - The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 October 2022 was 1.82% and was 1.82% at 2 October 2021. If the discount rate was changed by 1% this would result in an increase of liabilities in excess of £300,000.

Shoe Zone Retail Limited

Notes to the financial statements for the 52 weeks ended 1 October 2022 (continued)

3 Turnover and geographical analysis

The turnover is attributable to the sales of goods by the Company. The geographical and category analysis of the Company's turnover (by location of customers and category) is as follows:

	52 weeks ended 1 October 2022 £'000	52 weeks ended 2 October 2021 £'000
Revenue		
United Kingdom stores	128,664	87,420
Digital	26,967	30,498
Republic of Ireland stores	-	674
Other	533	550
	<u>156,164</u>	<u>119,142</u>

Shoe Zone Retail Limited

Notes to the financial statements for the 52 weeks ended 1 October 2022 (continued)

4 Expenses by nature

	52 weeks ended 1 October 2022	52 weeks ended 2 October 2021
	£'000	£'000
Inventories recognised as an expense	60,763	46,268
Employee benefit expenses	37,748	28,691
Depreciation and impairment charge of property, plant and equipment	4,118	3,571
Depreciation and impairment charge of right-of-use assets	13,016	17,254
Rentals under operating leases:		
- Land and buildings	411	827
- Other	7	44
(Profit) / Loss on disposal of property, plant and equipment	(149)	733
(Profit) / Loss on disposal of right-of-use assets	1,224	1,394
Administration expenses	4,045	3,456
Gain on Foreign Exchange	(984)	(111)
Other costs	21,177	5,858
	<u>141,376</u>	<u>107,985</u>

5 Auditor's remuneration

	52 weeks ended 1 October 2022	52 weeks ended 2 October 2021
	£'000	£'000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	47	45

Shoe Zone Retail Limited

Notes to the financial statements for the 52 weeks ended 1 October 2022 (continued)

6 Employee benefit expenses

	52 weeks ended 1 October 2022	52 weeks ended 2 October 2021
	£'000	£'000
Employee benefit expenses (including Directors) comprise:		
Wages and salaries	34,832	26,243
Social security costs	1,903	1,530
Other pension costs	1,013	918
	<u>37,748</u>	<u>28,691</u>

Wages and salaries in 2022 includes the benefit of furlough income £Nil (2021: £6,142,651).

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

	52 weeks ended 1 October 2022	52 weeks ended 2 October 2021
	No.	No.
Sales and distribution	2,612	2,819
Administration	144	142
	<u>2,756</u>	<u>2,961</u>

The average monthly number of full time equivalent employees during the period was 1,384 (2021: 1,487).

Shoe Zone Retail Limited

Notes to the financial statements for the 52 weeks ended 1 October 2022 (continued)

7 Directors' emoluments

Directors' emoluments consist of:

	52 weeks ended 1 October 2022	52 weeks ended 2 October 2021
	£'000	£'000
Remuneration for management services	424	434
Contributions to defined contributions scheme	32	34
	<u>456</u>	<u>468</u>

The highest paid director received remuneration for management services of £149,000 (52 Weeks ended 2 October 2021: £167,000) and contributions to a defined contribution scheme of £14,000 (52 Weeks ended 2 October 2021: £17,000).

Certain directors receive emoluments from Shoe Zone Retail Limited but have employment contracts with Shoe Zone plc for their services to all Company companies. It is not considered practical or possible to accurately apportion these costs to each entity in the Company. The effect of not apportioning these costs for disclosure purposes is not considered to be material.

No directors are accruing benefits under defined benefit pension schemes in the current or prior period.

The directors are members of the following Company pension schemes:

	52 weeks ended 1 October 2022	52 weeks ended 2 October 2021
	Number	Number
Defined contribution scheme	<u>3</u>	<u>3</u>

Shoe Zone Retail Limited

Notes to the financial statements for the 52 weeks ended 1 October 2022 (continued)

8 Finance income and expenses

	52 weeks ended 1 October 2022	52 weeks ended 2 October 2021
	£'000	£'000
Finance income		
Interest receivable	-	-
Total finance income	<u>-</u>	<u>-</u>
Finance expense		
Interest expense on lease liability	(976)	(1,268)
Net interest expense on defined benefit pension scheme	(116)	(148)
Loan interest	(18)	(147)
Other finance expense	(3)	5
Total finance expense	<u>(1,113)</u>	<u>(1,558)</u>

Shoe Zone Retail Limited

Notes to the financial statements for the 52 weeks ended 1 October 2022 (continued)

9 Income Tax

	52 weeks ended 1 October 2022	52 weeks ended 2 October 2021
	£'000	£'000
Current tax expense		
Current tax on profit for the year	2,188	652
Adjustment for (over) provision in prior years	(61)	(1,425)
Total current tax / (credit)	<u>2,127</u>	<u>(773)</u>
Deferred tax expense		
Adjustment for (over) / under provision in prior years	(13)	1,240
Effect of tax rate changes	604	641
Origination and reversal of temporary differences (note 22)	-	1,334
Taxation charge	<u>2,718</u>	<u>2,442</u>

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

	52 weeks ended 1 October 2022	52 weeks ended 2 October 2021
	£'000	£'000
Profit for the year	<u>13,675</u>	<u>9,599</u>
Profit on ordinary activities multiplied by standard rate in the UK 19.0% (2021: 19.0%)	2,599	1,824
Expenses not deductible for tax purposes	(411)	162
Unrecognised deferred tax movement	-	-
Effective change of rate	604	641
Adjustments to tax charge in respect of previous year	(74)	(185)
Total tax charge	<u>2,718</u>	<u>2,442</u>

Factors that may affect future tax charges: on 3 March 2021, the Chancellor of the Exchequer announced that the corporation tax rate would increase to a maximum of 25% from 1st April 2023. This was substantively enacted on 24 May 2021. Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled, or the asset is realised, based on tax law and the corporation tax rates that have been enacted, or substantively enacted, at the balance sheet date. As such, the deferred tax rate applicable at 1 October 2022 is 25% and deferred tax has been re-measured at this rate.

Shoe Zone Retail Limited

Notes to the financial statements for the 52 weeks ended 1 October 2022 (continued)

10 Dividends

	52 weeks ended 1 October 2022	52 weeks ended 2 October 2021
	£'000	£'000
Dividends paid during the year at 2.5p (2021: Nil) per share	<u>1,250</u>	<u>Nil</u>

Shoe Zone Retail Limited

Notes to the financial statements for the 52 weeks ended 1 October 2022 (continued)

11 Property, plant and equipment

	Freehold and long leasehold properties	Short leasehold and leasehold improvements	Motor vehicles	Fixtures and fittings	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 3 October 2020	3,802	19,910	114	38,021	61,847
Additions	-	248	385	772	1,405
Disposals	(248)	(1,371)	-	(2,005)	(3,624)
Impairments	-	-	-	-	-
At 2 October 2021	<u>3,554</u>	<u>18,787</u>	<u>499</u>	<u>36,788</u>	<u>59,628</u>
Additions	-	882	547	3,796	5,225
Disposals	(3,349)	(2,012)	-	(3,011)	(8,372)
Impairments	-	-	-	-	-
At 1 October 2022	<u>205</u>	<u>17,657</u>	<u>1,046</u>	<u>37,573</u>	<u>56,481</u>
Depreciation					
At 3 October 2020	1,177	14,937	47	28,719	44,880
Charge for the year	53	925	50	2,116	3,144
Disposals	(124)	(1,211)	-	(1,715)	(3,050)
Impairments	-	285	-	142	427
At 2 October 2021	<u>1,106</u>	<u>14,936</u>	<u>97</u>	<u>29,262</u>	<u>45,401</u>
Charge for the year	26	1,104	149	2,470	3,749
Disposals	(1,124)	(1,810)	-	(2,686)	(5,620)
Impairments	-	168	-	201	369
At 1 October 2022	<u>8</u>	<u>14,398</u>	<u>246</u>	<u>29,247</u>	<u>43,899</u>
Net book value					
At 1 October 2022	<u>197</u>	<u>3,259</u>	<u>800</u>	<u>8,326</u>	<u>12,582</u>
At 2 October 2021	<u>2,448</u>	<u>3,851</u>	<u>402</u>	<u>7,526</u>	<u>14,227</u>
At 3 October 2020	<u>2,625</u>	<u>4,973</u>	<u>67</u>	<u>9,302</u>	<u>16,967</u>

Shoe Zone Retail Limited

Notes to the financial statements for the 52 weeks ended 1 October 2022 (continued)

12 Leases

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

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

	Property	Motor vehicles and equipment	Total
	£'000	£'000	£'000
Cost			
Balance at 2 October 2021	39,823	868	40,691
Additions	7,698	75	7,773
Disposals	(19,659)	(508)	(20,167)
At 1 October 2022	<u>27,862</u>	<u>435</u>	<u>28,297</u>
Depreciation			
Balance at 2 October 2021	9,442	365	9,807
Charge for the year	12,202	273	12,475
Disposals	(19,659)	(448)	(20,107)
Impairment	541	-	541
At 1 October 2022	<u>2,526</u>	<u>190</u>	<u>2,716</u>
Net book value			
At 1 October 2022	<u>25,336</u>	<u>245</u>	<u>25,581</u>
At 2 October 2021.	<u>30,381</u>	<u>503</u>	<u>30,884</u>

The Company costs for those leases for which the practical expedient was applied described in Accounting Policies: IFRS 16 Leases, amounted to £9,000 in the 52 weeks ended 1 October 2022.

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

Maturity analysis – contracted undiscounted cash flows

	1 October 2022	2 October 2021
	£'000	£'000
Less than one year	13,239	16,345
Between one and five years	18,694	21,759
More than five years	2,280	3,760
Total undiscounted lease liabilities	<u>34,213</u>	<u>41,864</u>
Carrying value of lease liabilities included in statement of financial position	35,845	42,977
Current	14,870	17,035
Non-current	20,975	25,942

Shoe Zone Retail Limited

Notes to the financial statements for the 52 weeks ended 1 October 2022 (continued)

Leases (continued)

Operating leases

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

In line with IAS36 the carrying value of the right-of-use-asset is assessed for impairment and booked where necessary. See note 24.

13 Stocks

	1 October 2022	2 October 2021
	£'000	£'000
Goods for resale	31,570	24,608
Shop fitting materials and other consumables	618	523
	<u>32,188</u>	<u>25,131</u>

14 Trade and other receivables

	1 October 2022	2 October 2021
	£'000	£'000
Trade receivables	1,250	467
Amounts owed by Group undertakings	3,942	1,811
Other debtors	257	1,571
Prepayments and accrued income	2,298	3,403
Financial derivative (See note 16)	1,241	-
	<u>8,988</u>	<u>7,252</u>

Shoe Zone Retail Limited

Notes to the financial statements for the 52 weeks ended 1 October 2022 (continued)

15 Derivative financial instruments

At the statement of financial position date, details of the forward foreign exchange contracts that the Company has committed to are as follows:

	1 October 2022	2 October 2021
	£'000	£'000
Derivative financial (liability) / asset		
Derivatives not designated as hedging instruments	642	(261)
Derivatives designated as hedging instruments	599	(330)
	<u>1,241</u>	<u>(591)</u>

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

The notional principal amounts of outstanding forward foreign exchange contracts at 1 October 2022 were \$13,500,000 (2 October 2021: \$27,750,000). 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 is market rates of financial instruments at the reporting date.

16 Creditors: amounts falling due within one year

	1 October 2022	2 October 2021
	£'000	£'000
Trade creditors	13,336	7,284
Amounts owed to Group undertakings	688	712
Social security and other taxes	3,305	2,517
Corporation tax	1,910	1,245
Other creditors	365	160
Accruals	5,638	6,399
Finance lease	76	50
Loan (note 19)	-	4,400
Lease Liability	<u>14,870</u>	<u>17,035</u>
	<u>40,188</u>	<u>39,802</u>

Amounts owed to Company undertakings are unsecured and repayable on demand.

Shoe Zone Retail Limited

Notes to the financial statements for the 52 weeks ended 1 October 2022 (continued)

17 Creditors: amounts falling due after more than one year

	1 October 2022	2 October 2021
	£'000	£'000
Lease Liability	20,975	25,942
	<u>20,975</u>	<u>25,942</u>

18 Loans

	1 October 2022	2 October 2021
	£'000	£'000
Amounts falling due within one year		
Bank loans	-	4,400
Amounts falling due within 1-2 years		
Bank loans	-	-
Amounts falling due within 2-5 years		
Bank loans	-	-
	<u>-</u>	<u>4,400</u>

The bank loan provided by National Westminster Bank plc under their COVID-19 Large Business Interruption Scheme was fully repaid in January 2022. The loan previously attracted an interest rate of 1.72% over base and was secured over a fixed and floating charge over the company's property and assets.

Shoe Zone Retail Limited

Notes to the financial statements for the 52 weeks ended 1 October 2022 (continued)

19 Provisions

	Customer Returns	Dilapidations	Total
	£'000	£'000	£'000
As at 2 October 2021	(9)	3,435	3,426
Additions	3	1,551	1,554
Amounts utilised	9	(69)	(60)
Amounts released	-	(1,150)	(1,150)
As at 1 October 2022	3	3,767	3,770

The provisions are aged as follows:

	Customer Returns	Dilapidations	Total
	£'000	£'000	£'000
Current	3	1,105	1,108
Non-current	-	2,662	2,662
As at 1 October 2022	3	3,767	3,770

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

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

20 Contingent liabilities

Shoe Zone plc and its subsidiary undertakings have given a duty deferment guarantee in favour of HM Revenue and Customs amounting to £800,000 (2 October 2021: £800,000).

Shoe Zone Retail Limited

Notes to the financial statements for the 52 weeks ended October 2022 (continued)

21 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 25% (2 October 2021: 25%).

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

	1 October 2022	2 October 2021
	£'000	£'000
At beginning of the year	3,220	5,617
Recognised in income statement:		
Tax expense (note 10)	(592)	(3,214)
Recognised in other comprehensive income:		
Actuarial gain / loss on defined benefit pension schemes	(1,506)	761
Cashflow hedge	(402)	56
At end of the year	720	3,220

The deferred tax has arisen due to the following:

	1 October 2022	2 October 2021
	£'000	£'000
Accelerated capital allowances	756	1,624
Ineligible buildings	-	(675)
Short term timing differences	(150)	83
Derivatives	(336)	65
Loss for the financial year	-	-
IFRS 16 Leases	450	646
Defined benefit pension scheme	-	1,477
	720	3,220

The Company has an unrecognised deferred tax asset £720,000 as at 1 October 2022 (2 October 2021: £3,220,000).

There are estimated losses available to offset against future capital taxable profits amounting to approximately £nil (2 October 2021: Nil).

Shoe Zone Retail Limited

Notes to the financial statements for the 52 weeks ended 1 October 2022 (continued)

22 Share capital

	1 October 2022	2 October 2021
	£'000	£'000
Allotted, called up and fully paid		
10,050,000 ordinary shares of £1 each (equity) (2 October 2021: 10,050,000 ordinary shares at £1 each)	10,050	10,050
	<u>10,050</u>	<u>10,050</u>

23 Leases

Operating leases – lessee

The Company 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 Company by entering into these leases. The total future minimum lease payments under non-cancellable operating leases for land and buildings and other items of plant and machinery are as follows:

	Property 1 October 2022	Property 2 October 2021
	£'000	£'000
Expense relating to short-term leases	9	130
Expense relating to variable lease payments	-	-
	<u>9</u>	<u>130</u>

The majority of leases are now included within IFRS 16 (note 12).

Shoe Zone Retail Limited

Notes to the financial statements for the 52 weeks ended 1 October 2022 (continued)

24 Leases (continued)

Finance leases

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Company (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 income statement over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

	Motor Vehicle	Motor Vehicle
	October 2022	October 2021
	£'000	£'000
Not later than one year	27	14
Later than one year and not later than five years	49	36
Later than five years	-	-
	<u>76</u>	<u>50</u>

Finance leases are secured on the assets to which they relate to. The net book value of assets held under finance lease is £101,000 (2021: £46,000).

Notes to the financial statements for the 52 weeks ended 1 October 2022 (continued)

25 Pension costs

Defined contribution scheme

The Company operates a defined contribution pension scheme namely Shoe Zone Worksave Pension Plan, and contributions amounted to £918,000 (02 October 2021: £918,000).

Defined benefit scheme

The Company operates two other pension schemes in the UK: the Shoe Zone Pension Scheme and the Shoefayre Limited Pension and Life Assurance Scheme. The Shoe Zone Pension Scheme provided benefits on a defined benefit basis for service up to 30 September 2001. For service after that date, benefits are provided on a defined contribution basis. The Shoefayre Limited Pension and Life Assurance Scheme provided benefits on a defined benefit basis but was closed to future accrual on 30 June 2009. The scheme was acquired on the purchase of Shoefayre Limited on 19 September 2007. The assets of all schemes are held in separate trustee administered funds. There have been no contributions to the scheme this year, last year was also nil.

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

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

Amounts recognised in the statement of financial position at 1 October 2022

	1 October 2022	2 October 2021
	£'000	£'000
Fair value of assets	62,240	89,608
Present value of funded obligations	(53,348)	(89,594)
Impact of asset ceiling	<u>(8,892)</u>	<u>(5,923)</u>
Deficit	<u>-</u>	<u>(5,909)</u>

Amounts recognised in total comprehensive income

	1 October 2022	2 October 2021
	£'000	£'000
Return on plan assets	(25,910)	2,183
Actuarial gains / (losses) arising from changes in:		
Demographic assumptions	830	(826)
Financial assumptions	31,079	4,173
Experience losses	<u>3,102</u>	<u>-</u>
Total actuarial gains / (losses)	<u>35,011</u>	<u>3,347</u>
Impact of asset ceiling	(2,856)	(2,151)
Deferred tax on employee benefit scheme	(1,506)	761
Total amount recognised in total comprehensive income	<u>4,739</u>	<u>4,140</u>

Shoe Zone Retail Limited

Notes to the financial statements for the 52 weeks ended 1 October 2022 (continued)

25 Pension costs (continued)

The following figures are based on a full actuarial valuation performed in April 2019 and March 2019 for the Shoe Zone and Shoefayre schemes respectively which was carried out by a qualified independent actuary. This actuarial valuation has been updated to 1 October 2022 for the purpose of calculating the pension deficit and disclosures in the current year.

Post retirement mortality

	1 October 2022	2 October 2021
Life expectancy	Years	Years
Male currently aged 45	88.3	88.8
Female currently aged 45	90.2	90.5
Male currently aged 65	86.5	87.0
Female currently aged 65	88.6	89.0

Financial assumptions

	1 October 2022	2 October 2021
	%	%
Deferred pension revaluation - Shoe Zone Scheme	3.15	3.10
Deferred pension revaluation – Shoefayre Scheme	3.35	2.95
Pension increases	3.70	3.60
Discount rate	5.55	1.95
Consumer Price Index – Shoe Zone Scheme	3.15	3.10
Consumer Price Index – Shoefayre Scheme	3.35	2.95
Retail Price Index	3.95	3.80

The weighted average duration of the defined benefit obligation for the Shoe Zone scheme at 1 October 2022 is 10 years (2 October 2021: 14 years).

The weighted average duration of the defined benefit obligation for the Shoefayre scheme at 1 October 2022 is 12 years (2 October 2021: 16 years).

Shoe Zone Retail Limited

Notes to the financial statements for the 52 weeks ended 1 October 2022 (continued)

25 Pension costs (continued)

Defined benefit scheme - Shoe Zone Pension Scheme

Assets

The Shoe Zone Pension Scheme provided benefits on a defined benefit basis for service up to 30 September 2001. For service after that date, benefits are provided on a defined contribution basis.

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

Asset Category	1 October 2022	2 October 2021
Equities	15%	19%
Fixed Income	45%	0%
Gilts/bonds	0%	18%
Alternatives	3%	0%
Cash	37%	15%
Diversified Growth Funds	0%	26%
Liability Driven Investment	0%	22%
	<hr/> 100% <hr/>	<hr/> 100% <hr/>

The pension scheme has recently changed investment managers who provide a different classification for investments.

The actual return on the Scheme's assets net of expenses over the year to the review date was a loss of £14,030,000 (2 October 2021: gain of £561,000).

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.

Shoe Zone Retail Limited

Notes to the financial statements for the 52 weeks ended 1 October 2022 (continued)

25 Pension costs (continued)

Amounts recognised in the income statement over the year

	1 October 2022	2 October 2021
	£'000	£'000
Interest cost	(882)	(680)
Expected return on assets	995	732
Administration costs	(220)	(61)
Interest on asset restriction	(113)	(52)
	<u>(220)</u>	<u>(61)</u>

Amounts recognised in the statement of financial position

	1 October 2022	2 October 2021
	£'000	£'000
Fair value of assets	36,159	51,874
Present value of funded obligations	(29,040)	(45,951)
Surplus	<u>7,119</u>	<u>5,923</u>
Impact of asset ceiling	<u>(7,119)</u>	<u>(5,923)</u>
Net defined benefit liability	<u>-</u>	<u>-</u>

Shoe Zone Retail Limited

Notes to the financial statements for the 52 weeks ended 1 October 2022 (continued)

25 Pension costs (continued)

Defined benefit scheme - Shoe Zone Pension Scheme (continued)

Amounts recognised in total comprehensive income

	1 October 2022 £'000	2 October 2021 £'000
Return on plan assets	(15,025)	(171)
Actuarial gains / (loss) arising from changes in:		
Demographic assumptions	478	(359)
Financial assumptions	15,850	2,742
Total actuarial gain	<u>16,328</u>	<u>2,383</u>
Changes in effect of asset ceiling	(1,083)	(2,151)
Deferred tax on employee benefit scheme	-	618
Total amount recognised in total comprehensive income	<u><u>220</u></u>	<u><u>679</u></u>

Reconciliation of assets and defined benefit obligation

The change in assets over the year was:

	1 October 2022 £'000	2 October 2021 £'000
Fair value of assets at the beginning of the year	51,874	53,264
Expected return on assets	995	732
Company contributions	-	-
Administration costs	(220)	(61)
Benefits paid	(1,465)	(1,890)
Actuarial (loss)	(15,025)	(171)
Fair value of assets at the end of the year	<u><u>36,159</u></u>	<u><u>51,874</u></u>

Shoe Zone Retail Limited

Notes to the financial statements for the 52 weeks ended 1 October 2022 (continued)

25 Pension costs (continued)

Defined benefit scheme - Shoe Zone Pension Scheme (continued)

The change in defined benefit obligation over the year was:

	1 October 2022	2 October 2021
	£'000	£'000
Defined benefit obligation at the beginning of the year	45,951	49,544
Interest cost	882	680
Benefits paid	(1,465)	(1,890)
Actuarial loss	(16,328)	(2,383)
Defined benefit obligation at the end of the year	<u>29,040</u>	<u>45,951</u>

Sensitivity of the value placed on the liabilities:

Adjustments to assumptions	Approximate effect on liabilities
Discount rate	
Plus 0.50%	-5.0%
Minus 0.50%	5.0%
Inflation	
Plus 0.50%	1.0%
Minus 0.50%	-1.0%
Life Expectancy	
Plus 1.0 years	4.0%
Minus 1.0 years	-4.0%

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

Shoe Zone Retail Limited

Notes to the financial statements for the 52 weeks ended 1 October 2022 (continued)

25 Pension costs (continued)

Defined benefit scheme - Shoefayre Limited Pension and Life Assurance Scheme

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

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

Asset Category	1 October 2022	2 October 2021
Equities	51%	28%
Fixed Income	29%	0%
Gilts/bonds	0%	5%
Cash	6%	8%
Alternatives	14%	0%
Diversified Growth Funds	0%	42%
Liability Driven Investment	0%	17%
	100%	100%

The pension scheme has recently changed investment managers who provide a different classification for investments.

The actual return on the Scheme's assets net of expenses over the year to the review date was a loss of £10,164,000 (2 October 2021: gain £2,830,000). The assets do not include any investments in shares of the company.

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

Amounts recognised in the statement of financial position

	1 October 2022	2 October 2021
	£'000	£'000
Fair value of assets	26,081	37,734
Present value of funded obligations	(24,308)	(43,643)
Net liability	1,773	(5,909)

Shoe Zone Retail Limited

Notes to the financial statements for the 52 weeks ended 1 October 2022 (continued)

25 Pension costs (continued)

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

Amounts recognised in total comprehensive income

	1 October 2022	2 October 2021
	£'000	£'000
Gain on plan assets	(10,885)	2,354
Actuarial gains / (losses) arising from changes in:		
Demographic assumptions	352	(467)
Financial assumptions	18,331	1,446
Total actuarial gain	18,683	979
Changes in effect of asset ceiling	(1,773)	-
Deferred tax on employee benefit scheme	29	143
Total amount recognised in total comprehensive income	6,054	3,476

Amounts recognised in the income statement over the year

	1 October 2022	2 October 2021
	£'000	£'000
Interest cost	(837)	(624)
Expected return on assets	721	476
	(116)	(148)

Notes to the financial statements for the 52 weeks ended 1 October 2022 (continued)

25 Pension costs (continued)

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

Reconciliation of assets and defined benefit obligation

	1 October 2022	2 October 2021
	£'000	£'000
The change in assets over the year was:		
Fair value of assets at the beginning of the year	37,734	34,586
Expected return on assets	721	476
Employer contributions	-	1,500
Benefits paid	(1,489)	(1,182)
Actuarial gain on assets	(10,885)	2,354
Fair value of assets at the end of the year	<u>26,081</u>	<u>37,734</u>
The change in defined benefit obligation over the year was:		
Defined benefit obligation at the beginning of the year	43,643	45,180
Interest cost	837	624
Benefits paid	(1,489)	(1,182)
Actuarial loss on obligation	(18,683)	(979)
Defined benefit obligation at the end of the year	<u>24,308</u>	<u>43,643</u>

Shoe Zone Retail Limited

Notes to the financial statements for the 52 weeks ended 1 October 2022 (continued)

25 Pension costs (continued)

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

Sensitivity of the value placed on the liabilities:

Adjustments to assumptions	Approximate effect on liabilities
Discount rate	
Plus 0.50%	-6.0%
Minus 0.50%	6.0%
Inflation	
Plus 0.50%	2.0%
Minus 0.50%	-3.0%
Life Expectancy	
Plus 1.0 years	4.0%
Minus 1.0 years	-4.0%

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

26 Cash and cash equivalents

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

	1 October 2022	2 October 2021
	£'000	£'000
Cash at bank and in hand	24,427	19,015
Cash and cash equivalents	24,427	19,015

Shoe Zone Retail Limited

Notes to the financial statements for the 52 weeks ended 1 October 2022 (continued)

27 Related party transactions

During the period, rent of £178,000, (2 October 2021: £178,000 paid on four properties) was paid on four properties leased to the Company from the Zone Executive Pension Scheme.

28 Parent company

The ultimate parent undertaking and controlling party is Shoe Zone plc, which is the parent undertaking of the smallest and largest Group to consolidate these financial statements. Copies of Shoe Zone plc's consolidated financial statements can be obtained from the Company Secretary at Haremead Business Centre, Humberstone Road, Leicester, LE1 2LH.

30 Subsidiary Undertakings

The subsidiaries of the Company, all of which have been included in the financial statements, are as follows:

Name of investment	Place of incorporation	Principal activity	Ownership
Shoe Zone (Ireland) Limited	England & Wales	Non-trading company	100% owned by Shoe Zone Retail Limited

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