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Shoe Zone PLC
10 January 2023

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"), and is disclosed in accordance with the company's obligations under Article 17 of MAR. Upon the publication of this announcement via regulatory news service this inside information is now considered to be in the public domain.

Shoe Zone plc

("Shoe Zone" or the "Company")

Final Results for the 52-week period to 1 October 2022

Shoe Zone is pleased to announce its audited results for the 52 weeks to 1 October 2022, (the "Period").

Financials

- Revenue of £156.2m (2021: £119.1m)
    - Store revenue £129.8m (2021: £88.6m)
    - Digital revenue £26.4m (2021: £30.5m)
- Profit before tax £13.6m (2021: £9.5m), adjusted £11.2m (1) (2021: £9.5m)
- Interim dividend £1.25m, 2nd interim dividend £1.47m (2021: Nil)
- Proposed final dividend of 3.3 pence per share (2021: Nil)
- Proposed special dividend of 8.2 pence per share (2021: Nil)
- Earnings per share 21.7p (2021: 14.0p)
- Net cash balance of £24.4m (2021: £14.6m)
- Commenced share buy-back programme, buying back 955,813 shares for £1.7m cash

Operational

- Stores traded for 52 weeks (2021: 36 weeks)
- 360 stores at Period end (2021: 410) comprising:
    - 45 Big Box (2021: 51)
    - 44 Hybrid (2021: 16)
    - 271 Original (2021: 343)
- Net closure of 50 stores
- Annualised lease renewal savings of £0.6m, an average reduction of 30%
- Average lease length of 1.8 years (2021: 1.9 years)
- Digital returns rate of 11.3% (2021: 8.4%)

(1) Adjusted to exclude the profit on sale of freehold properties and foreign exchange revaluation

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Chief Executive's statement

Introduction

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. These increases are primarily due to the increased revenue and resultant gross profit generated in a normalised trading period post pandemic.

Profit before tax was at £13.6m for the Period (2021: £9.5m) and £11.2m (2021: £9.5m) on an adjusted basis, with an earnings per share of 21.74p (2021: 14.03p)

Stores delivered revenues of £129.8m (2021: £88.6m). Digital continued to be a key part of the business generating revenues of £26.4m (2021: £30.5m) in the Period, a reduction of 13.5% which was in line with management expectations post pandemic. We continue to invest in our digital infrastructure with the addition of two automated bagging machines which have significantly improved throughput and productivity. We have redesigned our check-out page and introduced two buy now pay later providers (Klarna and PayPal).

We ended the Period trading out of 360 stores, having closed 63 stores, opened 13 new stores and converted a further 11 existing stores to our new formats. As we refit existing stores to our new formats, the branded mix will continue to form a higher proportion of our overall sales.

Our average lease length is now 1.8 years, giving us the opportunity and flexibility to respond to changes in any retail location at short notice. Property supply continues to outstrip demand and we expect to take advantage of this environment 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.

We achieved rent reductions on 48 store renewals of £0.6m (2021: £1.8m) on an annualised basis, an average reduction of 30%.

Strategy Update

We continue to accelerate our store refit and relocation programme and to drive our digital 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% of sales per annum to cover 50 store projects and Head Office infrastructure changes including IT projects and new 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 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 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.

Part of the success of our digital operation is our efficient returns process which is complimented by our extensive network of stores. We have a returns rate of c. 11% with the vast majority of these being returned to store and our physical store network is critical to our continued success. We have seen over the last two years a reduction in store numbers as we have exited unprofitable locations. We will continue to rollout our successful 'Big Box' and 'Hybrid' formats by targeting key towns for conversion or relocation. Our ultimate goal is a doubling of Big Box locations to approximately 100 and an increase in Hybrid stores from 44 to approximately 150. Overall, we anticipate trading from a similar sales square footage, albeit from a reduced number of locations.

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.

Dividend

The outstanding CLBILS loan was paid off in January 2022 and enabled us to restart dividends. An interim of 2.5 pence per share was paid in August 2022 and a second interim of 3.0 pence per share was paid in December 2022. It is proposed that a final dividend of 3.3 pence per share be paid in March 2023 on the basis of a 40% pay-out ratio. The Board will also propose an additional special dividend of 8.2 pence per share (paid in March 2023), bringing the total to 17.0 pence per share.

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 £13.6m (2021: £9.5m), adjusted by profit on sale of freeholds (£1.4m) and foreign exchange gains on revaluation (£1.0m), therefore an adjusted profit before tax of £11.2m (2021: £9.5m). 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 control 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 of £22.8m, COVID related retail grants not received totalling £6.9m, store wages increase post furlough of £8.0m, offset by a reduction in rents of £1.9m and a reduction in Right of Use Assets depreciation of £2.3m.

Administration expenses reduced by £0.3m to £16.6m (2021: £16.9m) due to the profit on sale of 14 freehold properties £1.4m, a foreign exchange gain of £1.0m, offset by an increase in the contribution to the Shoe Zone Trust £0.5m, higher repairs and dilapidation equating to £0.6m, higher salaries post furlough of £0.5m and other asset write offs and impairment costs of £0.5m.

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

The corporation tax charge for the Period was £2.7m (2021: £2.4m).

Earnings per share are 21.74p (2021: 14.03p).

Stock levels increased by £7.1m to £32.2m (2021: £25.1m), due to the earlier timing of deliveries of Winter 2022 product and an increase in the proportion of higher value branded product 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 Period end net cash was £24.4m (2021: £14.6m). During the Period 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. The Group's current bank facilities also include an on-demand overdraft facility of £3.0m, which has not been used during the Period. We have £7.0m cash on notice deposit (£5.0m at 3 months notice, £2.0m at 12 months notice).

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 balance sheet 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.

An interim dividend of 2.5 pence per share (paid on 17 August 2022) and a second interim of 3.0 pence per share (paid on 21 December 2022) were approved by the Board. It is proposed that a final dividend of 3.3 pence per share will be paid on 22 March 2023 based on a 40% pay-out ratio. The Board is also proposing an additional special dividend of 8.2 pence per share (paid on 22 March 2023), giving a total dividend of 17.0 pence per share.

The Company started a share buy-back programme in August 2022 and as at the Period end had purchased 955,813 shares (of which 500,000 had been cancelled with the balance held in treasury) at an average price of £1.79 equating to a spend of £1.7m. The buy-back programme will continue for the foreseeable future.

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

Consolidated income statement for the 52 weeks ended 1 October 2022

	52 weeks ended 1 October 2022 £'000	52 weeks ended 2 October 2021 £'000
Revenue	**156,164**	119,142
Cost of sales	**(119,764)**	(86,667)
Gross profit	**36,400**	32,475
Administration expenses	**(16,620)**	(16,962)
Distribution costs	**(5,104)**	(4,499)
Profit from operations	**14,676**	11,014
Finance income	**-**	-
Finance expense	**(1,113)**	(1,558)
Profit before taxation	**13,563**	9,456
Taxation	**(2,718)**	(2,442)
Profit attributable to equity holders of the parent	**10,845**	7,014
Profit Earnings per Share - basic and diluted	**21.74p**	14.03p

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

	52 weeks ended 1 October 2022 £'000	52 weeks ended 2 October 2021 £'000
Profit/(Loss) for the year	**10,845**	7,014
Items that will not be reclassified subsequently to the income statement		
Remeasurement gains on defined benefit pension scheme	**5,798**	3,379
Movement in deferred tax on pension schemes	**(1,506)**	761
Share buy back	**(966)**	-
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	**4,229**	4,006
Total comprehensive income for the year attributable to equity holders of the parent	**15,074**	11,020

Consolidated statement of financial position as at 1 October 2022

Registered Number 08961190	**52 weeks ended 1 October 2022**	52 weeks Ended 2 October 2021
	£'000	£'000
Assets		
Non-current assets		
Property, plant and equipment	**12,582**	14,227
Right-of-use assets	**25,581**	30,884
Deferred tax asset	**720**	3,220
Total non-current assets	**38,883**	48,331
Current assets		
Inventories	**32,188**	25,131
Trade and other receivables	**6,071**	5,457
Cash and cash equivalents	**24,427**	19,015
Total current assets	**62,686**	49,603
Total assets	**101,569**	97,934
Current liabilities		
Trade and other payables	**(22,801)**	(16,440)
Lease liabilities	**(14,870)**	(17,035)
Derivative financial liability	**-**	(591)
Bank loan	**-**	(4,400)
Provisions	**(1,108)**	(1,698)
Corporation tax liability	**(1,910)**	(773)
Total current liabilities	**(40,689)**	(40,937)
Non-current liabilities		
Lease liabilities	**(20,975)**	(25,942)
Provisions	**(2,662)**	(1,728)
Employee benefit liability	**-**	(5,909)
Total non-current liabilities	**(23,637)**	(33,579)
Total liabilities	**(64,326)**	(74,516)
Net assets	**37,243**	23,418
Equity attributable to equity holders of the company		
Called up share capital	**495**	500
Merger reserve	**2,662**	2,662
Capital Redemption Reserve	**5**	-
Cash flow hedge reserve	**653**	(250)
Retained earnings	**33,428**	20,506
Total equity and reserves	**37,243**	23,418

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

	Share capital	**Capital Redemption reserve**	**Merger reserve**	**Cash flow hedge reserve**	**Retained earnings**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 4 October 2020	500		2,662	(116)	9,352	12,398
Profit for the year	-	-	-	-	7,014	7,014
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)	11,154	11,020
Dividends paid during the year (note 11)	-	-	-	-	-	-

(note 11)						
Total contributions by and distributions to owners	-	-	-	-	-	-
At 2 October 2021	500	-	2,662	(250)	20,506	23,418
Impact on transition to IFRS 16 (note 13)	-	-	-	-	-	-
At 3 October 2021	500	-	2,662	(250)	20,506	23,418
Profit for the year	-	-	-	-	10,845	10,845
Defined benefit pension movements	-	-	-	-	5,798	5,798
Capital Redemption reserve	-	-	-	-	-	-
Cash flow hedge movements	-		-	1,129	-	1,129
Share Buy Back	(5)	5	-	-	(966)	(966)
Deferred tax on other comprehensive income	-	-	-	(226)	(1,505)	(1,731)
Total comprehensive income for the year	(5)	5	-	903	14,172	15,075
Dividends paid during the year (note 11)	-	-	-	-	(1,250)	(1,250)
Total contributions by and distributions to owners	-	-	-	-	-	-
At 1 October 2022	**495**	**5**	**2,662**	**653**	**33,230**	**37,243**

Share capital comprises the nominal value of shares subscribed for. The capital redemption reserve represents share purchased by the company back from shareholders.

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

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

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

Consolidated statement of cash flows for the 52 weeks ended 1 October 2022

	52 weeks ended 1 October 2022 £'000	52 weeks ended 2 October 2021 £'000
Operating activities		
Profit after tax	**10,845**	7,014
Corporation tax charge	**2,718**	2,442
Finance income	**-**	-
Finance expense	**1,113**	1,558
Depreciation of property, plant and equipment	**4,118**	3,144
Fixed asset impairment and loss on disposal of property, plant and equipment and right of use asset	**(1,075)**	1,001
Right-of-use asset depreciation and impairment	**13,016**	15,860
Pension contributions paid	**-**	(1,500)
	30,735	29,519
Increase in trade and other receivables	**627**	(2,722)
Decrease in foreign exchange contract	**(527)**	486
Increase in inventories	**(7,057)**	1,567
Increase in trade and other payables	**6,361**	(816)
Increase in provisions	**345**	694
	(251)	(791)
Cash generated from operations	**30,484**	28,728
Net corporation tax paid	**(1,214)**	1,353
Net cash flows from operating activities	**29,270**	30,081
Investing activities		
Purchase of property, plant and equipment	**(5,225)**	(1,405)
Proceeds from sale of PPE	**3,590**	-
Net cash used in investing activities	**(1,635)**	(1,405)
Share buy-back	**(966)**	-

Repayments of secured loan	**(4,400)**	(2,600)
Capital element of lease repayments	**(15,584)**	(20,037)
Interest paid	**(21)**	(290)
Dividends paid during the year	**(1,250)**	-
Net cash used in financing activities	**(22,221)**	(22,927)
Net increase in cash and cash equivalents	**5,412**	5,749
Cash and cash equivalents at beginning of year	**19,015**	13,266
Cash and cash equivalents at end of year	**24,427**	19,015

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

1 Accounting policies

General information

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

The Company and its subsidiaries' (collectively the Group) principal activity is footwear retailing.

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied for the 52 weeks ended 1 October 2022.

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

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

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

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

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

Basis of consolidation

The consolidated financial statements incorporating the financial statements of Shoe Zone plc and its subsidiary undertakings are all made up to 1 October 2022. The results for all subsidiary companies are consolidated using the acquisition method of accounting.

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

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

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

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

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

Going Concern

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

The Group's financial position is strong with healthy positive cash balances. It also has in place a £3.0m overdraft facility. During the pandemic the Group, in the prior year, took a CLBILS loan of £12.0m, this requires the Group to comply with certain financial covenants, these have been met during the year and since year end. The Directors have reviewed forecasts and projections and consider that the Group has adequate banking facilities and cash resources to meet its operational and capital commitments.

Assets under construction

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

Impairment of non-financial assets

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

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

Impairment charges are included in the consolidated income statement in cost of sales, except to the extent they reverse previous gains recognised in the consolidated statement of 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 Group classified its financial assets into the categories, discussed below, due to the purpose for which the asset was acquired. The Group has not classified any of its financial assets as held to maturity.

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

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

Loans and receivables

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

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

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

Financial liabilities

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

- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.
- Bank loan - external loan which is valued at its amortised cost and incurs interest.
- Finance costs are charged to the 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 Group's risk management objective and strategy for undertaking the hedge.

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

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

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

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

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

Deferred taxation

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

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

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

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

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

Provisions

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

Foreign exchange

Transactions entered into the Group entities in a currency other than the functional currency are recorded at the average monthly rate prevailing during the 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 Group operates both defined benefit and defined contribution funded pension schemes. The schemes are administered by trustees and are independent of the Group.

Contributions to defined contribution schemes are charged to the consolidated 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.

A net pension asset may only be recognized when the group has an unconditional right to a refund or to reductions in future contributions. As a result, no asset has been recognised at year end.

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.

Critical accounting estimates and judgements

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

Accounting estimates and assumptions

Retirement benefits:

The Groups' defined benefit schemes' pension surplus/obligation, which is assessed each period by actuaries, is based on key assumptions including discount rates, mortality rates, inflation, future salary costs and pension costs. These assumptions, individually or collectively, may be different to actual outcomes; refer to note 25 for further details. A net pension asset may only be recognized when the group has an unconditional right to a refund or to reductions in future contributions. As a result, no asset has been recognised at year end.

Estimated impairment of store assets:

The Group tests whether store assets have suffered any impairment in accordance with the accounting policies stated in note 1. The recoverable amount of cash-generating units is determined on a value-in-use calculation. The method requires an estimate of future cash flows and the selection of a suitable discount rate in order to calculate the net present value of cash flows. The Group has performed a sensitivity analysis on the impairment tests for its store portfolio using various reasonably possible scenarios. An increase of three percentage points in the post-tax discount rate would have resulted in 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 Group estimates the useful life of the asset based on management's judgement and experience. Due to the significance of capital investment to the Group, variances between actual and estimated useful economic lives could impact results both positively and negatively, see note 12.

Judgements

Foreign currency hedge accounting:

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

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

	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**	30,499
Republic of Ireland stores	**-**	674
Other	**533**	549
	156,164	119,142

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

	52 weeks ended 1 October 2022 £'000	52 weeks ended 2 October 2021 £'000
Non-current assets excluding deferred tax asset by location:		
United Kingdom	**38,163**	45,111
Republic of Ireland	**-**	-
	38,163	45,111

Digital non-current and current assets have not been disclosed due to the immaterial value. The contribution is £7.0m (2021: £8.5m)

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

The deferred tax asset of £720,000 (2021: £3,220,000) is unallocated.

Dividends

	52 weeks ended 1 October	52 weeks ended 2 October

	2022	2021
	£'000	£'000
Dividends paid during the Period at 2.5p (2021: Nil) per share	**1,250**	Nil

Post Period, a second interim dividend of 3.0p per share was paid to all shareholders on the register at 4 November 2022 and a final dividend of 3.3p per share will be paid in March 2023 (2021: Nil)

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).

Share capital

	1 October 2022	2 October 2021
	£'000	£'000
Share capital issued and fully paid		
49,500,000 ordinary shares of 1p each	**495**	500
	495	500

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

Earnings per share

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

	52 weeks ended 1 October 2022	52 weeks ended 2 October 2021
	£'000	£'000
Numerator		
Profit for the year and earnings used in basic and diluted EPS	**21.74p**	14.03p

	1 October 2022	2 October 2021
Denominator		
Weighted average number of shares used in basic and diluted EPS	**49,500,000**	50,000,000

Ultimate controlling party

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

END

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