



## Deichmann-Shoes UK Ltd Strategic Report 2019

The directors were satisfied with the result for the year, sales for the company increased by 5.7%. Nine new stores were opened and two closed during the year bringing the total to 109 stores. Tight control of discounts lead to a recovery in the gross margin.

Marketing costs were increased to enable a TV campaign featuring Rita Ora. Other costs were carefully controlled leading to a loss of £948,000 (2018: loss of £1,354,000).

The company enters 2020 in a good position to continue with the expansion in the UK. Further new stores are planned, which will result in sales growth.

### Foreign currency hedging

The company enters into forward currency exchange contracts in order to hedge against movements in exchange rates for merchandise orders placed in foreign currencies. Exchange movements in outstanding forward contracts are recognised in the Statement of Other Comprehensive Income.

### Principal risks and uncertainties

Management consider that the principal risks facing the business are competition from other retailers, substantial increases in costs; in particular store lease contracts and personnel costs, maintaining the brand and reputation of the company and attracting and retaining good quality staff. Management have considered the risks posed by the UKs exit from the EU and believe that the company's policies on stock holding and currency hedging adequately protect the company from the probable significant consequences.

### Key Performance Indicators

The main KPIs used by management to monitor the business performance are:

- weekly sales and margins by store and product areas;
- rolling annual sales;
- store staff costs;
- store profitability before allocation of central overheads;
- monthly stock turn and forecasted stock turns;
- old stock as a percentage of total stock;
- staff turnover.

### Section 172(1) Statement

The Directors have actively engaged with the workforce, customers, suppliers and management of our shareholder in order to ensure that decisions are made in a way which will both benefit the company and the people who are served by it. The Company believes in establishing long term relationships with suppliers which enables them to produce a high quality, efficient product or service for the mutual benefit of both entities.

The Company's strategy of long term growth in order to establish a profitable and stable Deichmann business in the UK is centre of all of the decisions made by the directors. Regard is also given to the established reputation of the Deichmann brand elsewhere in the world and that we have a responsibility to maintain and enhance it.

### Employee Engagement

The success of our company is completely dependent on the hard work of our workforce and we aim to create a working environment which recognises this. We have carried out staff surveys to understand how our staff perceive us. We inform staff of developments within the company through a quarterly magazine and an employee app.