SuperdryPlc

("Superdry" or "the Company")

21 September 2020

Preliminary Results for the 52 weeks ending 25 April 2020

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

Performance materially impacted by Covid-19 disruption. Cash and liquidity remain strong
Brand reset continues with the launch of AW20 collection

	52 weeks ended 25 April 2020	**52 weeks ended 27 April 2019[3]**	**Change**
Total Group revenue[1]	£704.4m	£871.7m	(19.2)%
Gross margin	53.6%	55.1%	(1.5)pts
Underlying[2] (loss) / profit before tax	£(41.8)m	£38.0m	(210.0)%
Exceptional and other items excluded from underlying results	£(125.1)m	£(127.3)m	(1.7)%
Statutory (loss) / profit before tax	£(166.9)m	£(89.3)m	86.9%
Underlying[2] basic (loss) / earnings per share	(43.5)p	32.4p	(234.3)%
Statutory basic (loss) / earnings per share	(174.9)p	(124.2)p	40.8%
Proposed final ordinary dividend per share	0.0p	2.2p	(100)%
Net cash[2] position	£36.7m	£35.9m	2.2%

Financial Highlights[3]

- Total revenue down 19.2% to £704.4m, reflecting a planned move away from persistent discounting and latterly the impact of Covid-19 on Q4, with our entire store estate closed from 22 March until year end
- Full price mix[4] up +12pts year-on-year, driving an increase in gross margin rate of 90bps. This is more than offset by stock accounting and bad debt adjustments resulting in a net 110bp margin dilution
- Full year underlying loss before tax £(41.8)m includes the impact of provision and accounting charges of £19.7m for inventory adjustments and debtor recoverability, offset by a £16.7m net credit from utilisation of the onerous lease provision and reduced depreciation due to impairment
- Statutory loss before tax of £166.9m (2019: £(89.3)m), includes a store impairment charge of £136.8m
- The first time adoption of IFRS16 increased the Right of Use assets by £287.3m on transition; the store impairment due to the revised trading outlook reduces the value of these assets to £118.0m at year end
- As previously announced, the Board has decided not to propose a final dividend for FY20
- Strong closing net cash position of £36.7m (as at 16 September 2020 this is £49.2m, 2019: £4.9m), reflecting the decisive and significant actions taken to preserve cash
- Post year-end, completed the refinancing of our facilities to an Asset Backed Lending facility of up to £70m due to expire in January 2023, with amended covenants

Operational progress and response to Covid-19 challenges

- Improved the customer experience in store through increased stock and option density
- Accelerated our sustainability focus, with 19% products in FY20 made from organic cotton, and 100% of owned stores and offices converted to renewable electricity
- Grew our social media following by 14% to 3.2m through improved content and frequency of engagement
- As planned, closed three of our four warehouses in the US to improve profitability, and maintained effective distribution operations with increased online volumes throughout the Covid-19 lockdown period
- Managed stock closely, rebalancing and rescheduling product orders, reducing future buy and ending FY20 with £158.7m of inventory, down £28.2m versus last year

- Reduction in FY20 capital expenditure when Covid-19 hit, approximately £7m lower versus our pre-Covid-19 investment plans
- Immediate reduction in overheads and discretionary spend, down £2m per month during lockdown
- Negotiated short term rent deferrals and accelerated lease renewals across our store estate, achieving on average 43% reductions on the 49 leases agreed to date
- Took back control of the Superdry brand in China, by agreeing to exit our joint venture agreement with Trendy International
- Created the AW20 product range as a key milestone in our brand reset, under our new design philosophy, which clearly targets our nine consumer types through four distinct style choices

Julian Dunkerton, Founder and Chief Executive Officer, said:
"Our priority throughout the pandemic has been the wellbeing of our colleagues and customers. As with all retailers, we have experienced significant disruption to our operations, and this has inevitably had an impact on our FY20 results, but I'm proud of how everyone in the business has stepped up during this exceptional time.

While our underlying profit has been impacted by trading performance during the year, including Covid-19 related store closures, I am particularly pleased by how strongly Ecommerce has performed, with FY21 first quarter revenues nearly doubling year-on-year. This has been complemented by our increased digital consumer engagement, which helped drive a stronger womenswear mix than we have ever seen before. I'm pleased that we have delivered a good increase in the full price mix, which is up +12pts year-on-year and has had a positive impact on gross margin.

We are delivering on the reset of the business, despite the impacts of the pandemic. This has included re-invigorating the store design and layout, preparing for a relaunch of our website, and significantly increasing the number of options available both in store and online.

Above all, I am very excited about our new AW20 collection which will be almost fully ranged by the end of October and is the first full collection I've overseen since my return to the business last year. It reflects our new brand philosophy and a return to Superdry's design-led roots, which encompass a commitment to sustainability."

Current trading
Trading continues to be disrupted, but has improved from the end of FY20 as social distancing measures are relaxed and consumer demand gradually returns. Adopting a flexible trading stance, we have discounted more in recent months compared to the prior year to help clear excess stock which accumulated during the temporary store closures resulting from Covid-19. As at today's date, ~95% of our store estate and ~98% of our franchises have now re-opened with social distancing in place.

YoY Revenue Movement (%)	5wks to 30 May 2020	4wks to 27 June 2020	4wks to 25 July 2020	7wks to 12 Sep 2020	20wks to 12 Sep 2020
	("P1")	("P2")	("P3")	("Q2 QTD")	("FY21 YTD")
Group Revenue	(36.7)%	(18.1)%	(19.8)%	(30.3)%	(27.0)%
Channel Revenue:					
Store	(85.9)%	(54.1)%	(36.8)%	(31.4)%	(48.3)%
UK	*(99.5)%*	*(69.1)%*	*(40.7)%*	*(33.1)%*	*(55.1)%*
Europe	*(63.9)%*	*(28.5)%*	*(26.3)%*	*(20.5)%*	*(32.4)%*
North America	*(101.0)%*	*(89.0)%*	*(62.8)%*	*(59.0)%*	*(74.8)%*
Ecommerce	112.1%	126.7%	56.8%	4.1%	55.3%
Wholesale	(16.1)%	(40.9)%	(32.3)%	(39.6)%	(35.9)%

Stores in Europe began to reopen from the start of May, with the region performing comparatively better over the year to date (-32% year-on-year) than the UK (-55%) and the US (-75%), which saw later openings and still have a small number of stores closed (predominantly airport locations and specific US cities). The weekly sales on reopening in each region were stronger than initially expected, stabilising through July and early August at around (30)-(40)%, with the run-rate improving again in the most recent weeks.

Continuing the trend highlighted at our 7 May update, we are encouraged to see Ecommerce performing strongly in the first quarter, even as physical stores reopen, with performance normalising around 4% year-on-year since the start of August, as we annualised the end of season sale in FY20.

Wholesale performance has been ahead of initial expectations, but still down materially year-on-year with our partners facing the same headwinds as the Superdry owned retail estate. However, we have reconfirmed the majority of the AW20 forward order book, and have seen cash collections ahead of budget. Wholesale performance currently (36%) down year-on-year, with monthly phasing likely to remain volatile.

FY21 Turnaround initiatives

In FY20 we focused on our journey to reset the brand and deliver the transformational plans we set out last year. Despite the challenges Covid-19 has presented, these initiatives remain fundamental to our turnaround plan, and in FY21 we will be focusing on:

- Gathering momentum on our return to a design-led philosophy, harnessing opportunities to extend SS21 into key demographics and categories; including delivery of frequent and fresh new product
- Returning our store portfolio to profitability through continued rent renegotiations and payroll restructuring. Store reset of product by style choice being rolled out across 40+ stores
- Prioritising investment behind our digital channels, enhancing the online customer experience, and leveraging engaging and targeted social media content, through influencer-led AW20 digital campaigns
- Reverting to full price discipline from the launch of AW20, with clearance activity planned during targeted Black Friday and End of Season events, utilising our existing clearance channels outside of those periods
- Continuing the progress made in optimising our working capital through more efficient stock management
- Elevating sustainability by accelerating to 100% organic cotton by 2030 and focusing on responsible consumption and production through innovations such as vegan footwear and recyclable fill jackets
- Continued efficiencies across the Group and the wider cost base, focused on cash management

FY21 Outlook

The Covid-19 pandemic has created unprecedented levels of uncertainty including, but not limited to the recovery in consumer demand and the impacts of social distancing measures, levels of competitive discounting, supply chain disruption, and geopolitical impacts. From a strategic perspective the company will continue to focus on design, product, consumer targeting and highly efficient operations, to ensure that it maximises performance where possible to drive the brand turnaround, grow scale and return the brand to sustainable, profitable growth.

Despite a stronger than anticipated performance in Q1, historically our lowest trading period, we remain cautious on the shape of the economic recovery, and the impact this may have on our ability to turnaround performance in line with our Plan. Consequently, we recognise there is a material uncertainty (relating to our covenant tests - see going concern assessment for further details), and are not providing formal guidance.

In the balance of the year we anticipate:

- An improvement in store trading from current levels, though expect LFLs to remain negative on a FY basis, given the pressure on consumer demand and uncertainty relating to any disruption from Covid-19, even considering the comparable trading in March and April when stores were temporarily shut
- Wholesale sales to see some improvement from current trading levels through in-season sales, with franchise store LFLs in Europe recovering strongly, and normalisation of Spring/Summer forward order shipment timing
- Most recent Ecommerce performance trends to continue over the remainder of the year, benefiting from the continued channel shift as a result of social distancing measures in stores, and from the investments in our brand and digital infrastructure
- Gross margin impacted by a number of dynamics, with a heavily discounted promotional stance to clear excess stock and generate cash, negatively impacting full price mix year to date, but partially offset by the unwind of FY20 non-trading headwinds
- Costs to reduce substantially in FY21, due to rent renegotiations, volume-driven and efficiency savings in logistics, and a substantial reduction in bad debt expense, together with net overhead savings from discretionary spend and payroll
- Even under a downside scenario, closing net cash is expected to be positive, benefiting from the cash preservation measures implemented at the start of the year

Notes:

1. FY20 Revenue includes a net £(1.1)m adjustment, largely due to IFRS15 (Revenue) which was not reflected in the Pre-Close Trading update on 7 May 2020.
2. 'Underlying' and 'Net cash' are used as alternative performance measures ('APM'). Definition of APMs and how they are calculated are disclosed in the financial statements in note 23.
3. FY19 profit was restated following a prior year adjustment of £3.9m relating to stock variance accounting, as detailed in Note 19 of the Interim Results announcement on 12 December 2019 and in Note 22 of this announcement. Underlying PBT includes the impact of an £11.1m credit relating to the utilisation of the onerous lease provision and the reduced depreciation following the impairment charge triggered in January 2019.
4. Foreign currency sales are translated at the average rate for the month in which they were made. Full price sales mix relates to the proportion of retail sales made at RRP in full priced stores and owned websites only.

Market Briefing

A webcast for analysts and investors will be held today starting at 9.00am, followed by a Q&A with management. The webcast will be publicly available to join live, but questions will be limited to analysts. If you would like to register, please go to https://secure.emincote.com/client/superdry/superdry007. A recording of the event will also be available on our corporate website shortly afterwards.

For further information:

Superdry:
Nick Gresham nick.gresham@superdry.com +44 (0) 1242 586747
Adam Smith adamj.smith@superdry.com +44 (0) 1242 586747

Media enquiries
Tim Danaher, Imran Jina superdry@brunswickgroup.com +44 (0) 207 404 5959

Reporting calendar confirmation

AGM	22 October 2020
Half year pre-close trading statement	5 November 2020

Notes to Editors

The *Superdry* brand is obsessed with design, quality and fit and committed to relentless innovation. We design affordable, premium quality clothing, accessories and footwear which are sold around the world. We have a unique purpose to help our consumers feel amazing through wearing our clothes. We have a clear strategy for delivering continued growth via a disruptive multi-channel approach combining Ecommerce, Wholesale and physical stores. We operate in 61 countries and have over 4,300 colleagues globally.

Cautionary Statement

This announcement contains certain forward-looking statements with respect to the financial condition and operational results of Superdry Plc. These statements and forecasts involve risk, uncertainty and assumptions because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. These forward-looking statements are made only as at the date of this announcement. Nothing in this announcement should be construed as a profit forecast. Except as required by law, Superdry Plc has no obligation to update the forward-looking statements or to correct any inaccuracies therein.

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain. The person responsible for this announcement on behalf of Superdry is Ruth Daniels, Group General Counsel and Company Secretary of Superdry.

Chairman's statement

Resetting an iconic global brand in the most extraordinary of times

Financial year 2020 ("FY20") has been a tough year for Superdry, as we began the process of resetting our business, against a backdrop of increasingly difficult global trading conditions. We have worked together to put in place the foundations for a turnaround, starting with the replenishment of our Board and Executive team, re-examining our short term strategies and objectives, making our business more efficient and putting the health and safety of our customers and colleagues at the top of our agenda.

Covid-19

FY20 witnessed the devastating impact of Covid-19 on customers, colleagues and our business partners. Clothing retailers have been impacted particularly and our stores were forced to close in March 2020. The financial impact of Covid-19 is still being experienced and the full extent of that impact will not be clear for some time yet. The organisation reacted with speed and decisiveness to the emerging crisis, focusing on reducing any short term cash flow pressures and costs wherever possible and utilising government assistance where appropriate. Our people responded to the challenges faced by Covid-19 efficiently and purposefully. I want to take this opportunity to thank every colleague at Superdry for the hard work, loyalty and dedication demonstrated throughout this exceptional time and to all of our customers for their patience and support. By the end of June, the majority of our stores were open, with appropriate health and safety measures put in place. Full information about the impact of Covid-19 on our business, our risk mitigation strategies and how we prioritised the health and safety of our customers, colleagues and partners can be found in our Covid-19 statement and in the Chief Financial Officer's ('CFO') review.

A new Board

Following the general meeting of shareholders on 2 April 2019 and the subsequent resignation of the previous Board, we recruited an entirely new Board during 2019. After initial periods in interim roles, Nick Gresham was appointed Chief Financial Officer in August 2019 and Julian

Dunkerton was appointed Chief Executive Officer in October 2019. Helen Weir, Alastair Miller, Georgina Harvey and Faisal Galaria joined as Independent Non-Executive Directors in July 2019. As a new team I am very pleased with the way the Board has quickly formed both a strong and supportive presence within the business. With a wealth of retail and financial expertise, it is committed to and focused on overseeing and supporting the delivery of a turnaround in Superdry's business performance.

The Board and Executive team are returning Superdry to its design led heritage. Please refer to Julian's CEO review to read about the work he has undertaken to start to put Superdry firmly back on the path to success during his first full year back in the business.

Difficult decisions, strategic changes and a disappointing performance

The Board and Executive are actively reviewing the long term strategy for the business to ensure the brand continues to have relevance and purpose. There are also a number of areas within the infrastructure of the Group that require modernisation including core IT systems and improvement in the control environment.

Work to substantially review operational costs, which had commenced during financial year 2019 ('FY19'), continued throughout FY20 and into the current financial year ('FY21'). This has involved periods of staff consultation which have led to head office and retail stores being the subject of organisational restructuring in FY21. This has been a difficult but necessary part of Superdry's path back to sustainable success. Please see note 25 for further details.

The Board, Executive and senior leadership teams worked together to identify short-term priorities for strategic change – these priorities include returning to a full price stance, focusing on the Superdry design and brand construct, re-examining US and China strategy and operations, reviewing our Ecommerce roadmap, renegotiating terms across our retail store estate and cutting operational costs as far as possible. Further information can be found in the CEO review.

On 10 January 2020, following a disappointing Christmas and January sale trading period, Superdry plc and its subsidiary companies ('The Group') issued a profit warning. On 18 March 2020, as the pandemic began to take hold, the Group issued a further statement on current trading, alongside an overview of our Covid-19 risk mitigation activity and our financial position; the Group also withdrew its previous financial guidance in relation to FY20. Our pre-close trading statement issued on 7 May 2020, announced that in line with a number of listed companies, given the unprecedented levels of uncertainty and the Group's financial performance, the Board would not be recommending the payment of a final dividend to shareholders in relation to FY20. This has led to an uncertain trading outlook for stores, resulting in the exceptional store impairment charge. For full information on our FY20 results, our financial position, including going concern material uncertainty and on our path back to growth, please refer to the CEO and CFO reviews.

Cash preservation and reducing our inventory

The Group introduced a series of cash preservation measures in response to the Covid-19 pandemic, to ensure that it was positioned to weather future disruption in the global economy and to allow for a programme of investment in the future of the business. We have exercised considerable control on our cash flows and worked hard to reduce stock levels and maintain a high level of liquidity and strong net cash position. On 10 August 2020 the Group announced that it had completed a refinancing of its facilities to an Asset Backed Lending ('ABL') facility for up to £70m due to expire in January 2023, with amended covenants. For full details, please refer to the CFO review and to our going concern statement.

Partners in Design

Julian Dunkerton's return to the helm of Superdry has been enhanced by a new collaborative design partnership - with Phil Dickinson, our Creative Director, who joined Superdry in 2019. This partnership has been at the heart of our new consumer-targeted designs and brands, which will be appearing in our stores this Autumn. For further information on these please turn to the CEO review.

Stakeholder focus

This year has brought with it a renewed focus on stakeholders. Stakeholder consideration has always been at the forefront of our Board decision making and, this year, the Board considered a variety of matters with its stakeholders in mind, including our remuneration arrangements, the enhancement of employee engagement forums and the appointment of a director for workforce engagement, our sustainability projects, including bringing forward our organic cotton targets, and our overall strategic path.

The start of a turnaround

Our CEO review and CFO review provide further information on our operational and financial performance in FY20 and up to the date of this report. This has been the toughest of years in which to significantly reset the brand, but progress has been made in terms of strategic overhaul, cost reduction and, above all, brand and design reignition. The post-Covid-19 economic landscape remains unclear and with Brexit on the horizon, it will be necessary for all businesses to be ready to adapt and evolve in order to survive. I believe that Superdry is in a good position to take on that challenge. This Board is committed to continuing to work with the Executive leadership team to return Superdry to its place as one of the most iconic of British brands and to put the Group firmly back on the path to financial stability and, ultimately, success.

PETER WILLIAMS

CHAIRMAN

20 September 2020

The impact of Covid-19 on our business to date

This financial year witnessed extraordinary events caused by the Covid-19 pandemic, which has had a substantial impact on a wide range of businesses and on the retail sector in particular. The welfare, health and safety of our stakeholders, and in particular our colleagues and our customers, has been our top priority, while taking decisive actions to protect the Group and its long term financial position.

On 18 March 2020, in line with global government advice, we announced that we had closed 78 stores in Europe and that the previously advised financial guidance given by the Group on 10 January 2020 was to be withdrawn. By 22 March 2020, all Superdry stores in the UK, Europe and in the USA had been closed. We closed our Cheltenham head office on 23 March 2020 and those head office colleagues who had not been furloughed continued to work from home, fully supported by our IT team. We continued to trade online throughout the lockdown period, with effective operations continuing in our Distribution Centres with all appropriate measures taken to ensure the health and safety of our staff, while allowing us to continue to serve our customers.

By the end of June 2020, following local government guidance, after carrying out appropriate risk and health and safety assessments, and in consultation with colleagues, nearly all of our stores had reopened (the main exceptions being airports and a small number of our US stores). At the time of writing, our head office is making cautious preparations to reopen in line with UK government advice, but the majority of head office colleagues continue to work remotely where possible.

Our Covid-19 risk mitigation strategy

From late March 2020, the Superdry Board scheduled at least twice-weekly video conference calls to monitor and guide the Group's careful management of the Covid-19 crisis. The Executive team scheduled twice-weekly Incident Management Team ("IMT") meetings by video conference to ensure that the business reaction to the crisis was robust, with a subset of the Executive team meeting daily under the guidance of the Head of Risk to ensure swift decision making in a rapidly evolving environment. The Group's trusted advisors, such as our corporate brokers, lawyers, accountants and public relations advisors, provided regular insight and sound advice throughout this period, attending meetings when required.

The Executive team took early and decisive cash preservation measures across the business which included:

- reduced FY20 capital expenditure when Covid-19 hit, approximately £7m lower versus our pre-Covid-19 investment plans;
- applied careful but considered cash control measures to our day-to-day operations including, but not limited to, reducing staff travel, the reduction of marketing budgets and the reduction of logistics costs, resulting in an immediate reduction in overheads and discretionary spend of ~£2m per month during lockdown;
- requested £20m of rent deferrals, the majority of which were achieved. The UK 12 month rates relief represents a £16m benefit, with £1.7m realised in FY20;
- deferred VAT, PAYE and Customs Duty of more than £5m, and recovering historic corporation tax overpayments of £11.5m;
- furloughed 88% of staff upon closure of our store estate and corporate sites, and applied for government job retention support in relevant markets (£2.9m in FY20). Executive Directors and members of the Board took temporary pay reductions beginning April 2020, and no bonus scheme was payable in FY20; and
- worked collaboratively and with the support of our long-standing supply base, we have extended payment terms, increased discounts and substantially rebalanced, reduced and rescheduled our stock intake, reducing the number of units of future buys by 20%.

Through our global network of regional offices, we ensured there was regular communication and on the ground support for our long standing supplier base. China and the Far East were significantly impacted from the middle of February to the end of March, however, this region had recovered to near full capacity by the end of July. In Turkey, production was affected from the middle of March; recovering to 80% capacity by the end of August. India was operating at 60% average capacity by the end of August. Capacity in both these territories is in line with our expectations for the AW20 season. We have worked closely with our supplier base to phase deliveries as well as utilising air freight when there is no other option available, to ensure we get the right balance between managing our working capital and being fully ranged for the AW20 launch.

We also worked with our wholesale partners to minimise returns and mitigate cancellation risks as far as possible. During these negotiations we at all times considered the importance of our long-standing and valued relationships with suppliers and contractors, attempting to balance their needs with ours, wherever possible.

Base salaries for the CEO and CFO and fees for the Non-Executive Directors were reduced by 25% from 1 April 2020, with the base salaries of the executive committee reduced by 20%. The reduction continued until 30 June 2020 for the CFO and executive committee and will continue until 30 September 2020 for the CEO and Non-Executive Directors.

In line with a number of listed companies and with reference to the FRC guidance update issued in March 2020, given the unprecedented levels of uncertainty and the Group's financial performance, the Board agreed to recommend to shareholders that no final dividend be paid in respect of FY20.

In April Superdry donated more than 300,000 items of Personal Protective Equipment ('PPE') to local care homes in Gloucestershire.

The business monitored events and government announcements in each of its territories in order to put plans for reopening in place at the earliest possible time, always placing the health and safety of colleagues and customers ahead of all other considerations. Our first priority was to ensure that each store could meet or exceed local health and safety regulations. We ensured that stores and colleagues were fully equipped with all necessary PPE, cleaning materials and other equipment such as sneeze screens before any reopening, following local government guidelines at all times.

Our Ecommerce activity continued to trade online throughout the period. We experienced and were able to fulfil a strong level of demand switching from stores to online. Ecommerce sales in this period outperformed expectations, offsetting one third of lost stores sales. Our Distribution Centres remained open throughout the period with rigorous controls in place to protect employees, including social distancing, protective work wear, more frequent cleaning and segregated spaces for working.

We estimate that the profit impact of Covid-19 across all of our operations, including lost sales and additional costs experienced in FY20, amounted to ~£62m. This has been calculated as the gross margin miss to forecast in March and April, the increase in bad debt for the same period as well as the Covid-19 stock obsolescence provision at the year end, less the impact of the furlough benefits and UK rates holiday in April.

Covid-19 is likely to continue to impact global economies, consumer demand, shopping patterns and working practices. We will continue to monitor events and adapt accordingly, investing in our Ecommerce channel to maximise consumer demand changes, change store layouts to accommodate social distancing, ensure safe working practices in all of our operations and continue to review future head office requirements and working from home routines. The temporary closure of stores in the early part of FY21 and the uncertainty of consumer demand through our seasonal peak period is likely to impact FY21 results. While we remain cautious about the continuing impact of Covid-19 and we remain ready to react to any further disruption, we will continue to execute our plans for an AW 2020 brand reset.

Chief Executive Officer's Review

Overview

This year has been one of considerable change for Superdry. In addition to our journey to reset the brand and deliver our transformational plans, we now face an unprecedented challenge from Covid-19, which is affecting all companies, sectors and geographies. Although the pandemic continues to dominate all aspects of our business, I see this as a unique opportunity to accelerate change, reposition our brand and for the business to emerge stronger.

By focusing on the retail basics, prioritising Ecommerce and increasing our social media engagement, we can now properly showcase the fantastic new product that will be available from Autumn 2020, building on the core strengths of the brand and providing an elevated customer experience.

We made the difficult but necessary shift to protect the brand by reducing promotions and returning to a full price stance, which is core to our turnaround plan. As a result of this, as well as the exceptionally challenging economic backdrop, full year Group revenue was down (19.2)% year-on-year, with the FY19 comparable driven by persistent levels of discounting.

Full year underlying loss before tax was £41.8m, significantly below the prior year underlying profit of £38.0m, reflecting the revenue impacts of a challenging peak trading period which contributed to our trading update and profit reforecast in early January, with full year performance exacerbated by Covid-19 related disruption in the fourth quarter.

Statutory loss before tax was £166.9m including impairment of £136.8m as a consequence of the downgraded store outlook, additional inventory provisions of £6.1m, a direct consequence of Covid-19 and an increase in bad debt expense of £13.6m, recognising the heightened collection risk from the economic impact of Covid-19.

Covid-19 has impacted our strategic roadmap and, in the short term, has required us to act quickly and decisively to preserve cash. Despite the temporary closure of our entire store estate through late March, April and May, we were able to mitigate some of these headwinds, working closely with our landlords and suppliers, accessing government furlough schemes, as well as managing and controlling our costs closely. Having taken a tight control of cash, it was very pleasing to close the year with a positive net cash balance of £36.7m, above FY19 (£35.9m), despite the impact of the pandemic. More importantly, we have maintained this position post-year end, and our net cash position as at 16 September was £49.2m, substantially better than the same time last year (£4.9m).

We have completed the refinancing of our facilities to an Asset Backed Lending ('ABL') facility of up to £70m due to expire in January 2023, with amended covenants. Although there are going concern material uncertainties, we believe this new facility, together with our strong net cash position, gives us the necessary flexibility and liquidity going forward.

Prior to the outbreak of the pandemic, we had started to make progress towards the strategic goals I set out on my return to the business. It is unknown when the impacts of the Covid-19 pandemic will end and how different the retail environment will be; however, I believe the

strategic initiatives we have set out remain important and indeed, even more vital to return the Superdry business to sustainable, profitable growth.

- **Product and Design**: Successfully segmented customers into nine consumer types, with four overarching style choices, beginning our return journey to a design-led philosophy. We reverted back to a two season model, with intermittent capsule drops and limited edition products, taking decisions and acting swiftly in response to consumer defined opportunities. We made great strides in sustainability, reducing the time frame to achieve our Super Responsible organic cotton goal by 10 years, to 2030.
- **Brand health**: Implemented an enhanced and targeted social media strategy, helping grow our followers by 14% year-on-year. On an ongoing basis, the improvements in social media, such as quality and frequency of posts, allow us to leverage this expanded range to personalise our offering to customers, supporting our return to a full price stance.
- **Stores**: Accelerated our review of the owned store portfolio, with renegotiated rents reducing by an average of 43% as at the end of August. AW20 will see options increase in store by nearly 80% vs AW19, providing our customers with far greater choice and reinvigorating the store experience through improved layouts and clearly segmented collections.
- **Ecommerce**: Increased the options online by over 70%, in addition to enhanced photography and website navigation, to improve our customer experience. Implemented Fulfil from Store in 31 stores, delivering 7% of online orders. On-boarded and enhanced strategic new and existing third party ecommerce relationships with a number of partners, including Next.
- **Wholesale**: Strengthened our partnerships through our commitment to selling at full price as well as aligning deliveries to match their requirements during the year.
- **Sourcing and Logistics**: Rebalanced our sourcing mix towards Turkey, reducing lead times and responding to trends in the market quickly. Future stock buys were reduced by 20% and we closed three of our four warehouses in the US as planned, following a material reduction in inventory during FY20, even despite the headwinds from Covid-19.

These are all examples of the great work being done by the team to support our future plans to return this business to strong revenue growth and rebuild profitability.

Below I will expand on each of our key areas, providing further detail and clarity around what exactly we have done, how we got there and how we plan to build on the momentum of that success in FY21.

Product and Design

Phil Dickinson, Creative Director, joined the business in January 2019. Since then, our pivotal relationship has grown from strength to strength and this is reflected in the new product we have designed. The first full collection we have been able to influence, and the mark of our brand reset, will be the AW20 collection. This will be released in September and I am very excited to see the results of all the hard work come to fruition, especially given the positive early feedback from wholesale partners.

Understanding our customer is key, and we are committed to providing exceptional product quality at a price that is achievable to everyone. For AW20, we have segmented our customers into nine consumer profiles built around buying behaviour and attitudes towards fashion. The consumer profiles are overlaid with four style choices which best express our brand – Casual & Vintage; Sophisticated & Minimal; Sport; and Streetwear & Energy. This allows us to design product and communicate to customers on a more personal and relevant level.

Leveraging our shortened lead times and Ecommerce platform, the creative team are increasing drops of limited edition products throughout the season, contributing to the premium element and newness of our brand. This allows us to respond quickly to the market, releasing online exclusives to capitalise on trends, and use social media to build engagement and excitement for this limited edition product.

We have increased our full price online range by over 70% options and our in-store range by nearly 80% to provide customers with greater choice, improving our offer and securing more loyal customers.

In FY21, we will continue to develop and build our range across the four style choices, and have begun the process of restructuring the design and marketing functions into integrated teams across these collections, rather than product categories, creating much clearer design direction and authenticity.

Brand and Marketing

During the year, we have made positive steps in reigniting the brand DNA, building consumer engagement through a more active and better targeted social media strategy, growing our social media followers by 14% to 3.2 million. This is supported by the up-weighting of our marketing department headcount and skillset and a more intelligent use of our brand and production marketing budget, which we will ramp back up as we look towards the AW20 launch.

A crucial element of the strategy we set out last year was to limit discounting and return to a full price stance, and as a result our full price mix for the year, despite unplanned promotional activity during Covid-19, was 59%, up 12% year-on-year. By limiting our promotional windows to just two end of season sales and a Black Friday event (prior to the onset of Covid-19), being more targeted and considered with the product that is on mark-down, and properly utilising our existing clearance channels, we have been able to clear aged stock while maintaining a full

price proposition in our full price channels. In FY21 we will return to these disciplined discounting windows, reverting to a full price stance aligned with the AW20 reset.

In the AW19 'My Way' campaign we adopted a different approach, working with leading influencers to support the campaign, who had a combined reach of 2.5+ million Instagram followers, localising this for key territories. We will build on this approach in FY21 engaging with higher profile influencers with an authentic style to promote Superdry, enhancing the brand and reaching new audiences.

Channels to market - Retail

Across our stores we are resetting the customer journey, repopulating our retail estate with nearly 80% more options in AW20 versus AW19, improving product density and customer choice. We have introduced new store designs which better showcase the new collections and four style choices, reinvigorating our visual merchandising to bring back the excitement and brand experience that has been severely lacking in our store estate in recent years.

We continue to believe stores will remain a core element in allowing our customers to experience the brand. However, despite the sector being a major employer, for a long time the imbalance for physical store tenants has been growing, both in terms of the rental burden, but also from inflationary cost pressures and business rates. We welcome one of the UK government's first decisions during the pandemic to grant a 12 month holiday on business rates, and hope that this becomes permanent legislation.

A consequence of the Covid-19 pandemic has been the acceleration of our programme of rent renegotiations. To date, this has resulted in a 43% reduction in rent across 49 stores, a number of which have moved to turnover rent agreements. This is an essential re-gearing and has allowed us to improve profitability across our own store estate. We are continuing negotiations with landlords and see this as a structural adjustment in rental costs; however, where a sufficient adjustment to lease commitments cannot be agreed, we will not hesitate in making the right decision for the business and exiting a store.

In addition to rent renegotiations, the forced temporary closure of our store estate allowed us to bring forward a planned staffing restructuring in store. Though a difficult decision to make, payroll costs as a share of revenue in FY19 were significantly above the sector average. While ensuring no negative impact on the customer journey, we expect to reduce our overhead staff costs by 20% in FY21, representing a £12m annualised cost saving.

Leveraging our multi-channel operation, we have also implemented in-store fulfilment of Ecommerce orders from 31 of our owned stores - we have processed over 67,000 orders in this way, representing 7% of online orders. This allows the same item to be available to both physical and online customers, providing an additional route to clear aged and broken lines. We will continue to roll this out at pace in FY21.

Channels to market – Ecommerce

Superdry continues to be a brand with huge digital potential, and we still expect Ecommerce to be the fastest growing division of our business over the next five years, a trend that has likely accelerated as a result of Covid-19, which encouraged customers to shop online while stores were closed. Change in consumer behaviour has been fast-tracked as a result of the pandemic, which may see some customers never return to shopping in store, but also providing us an opportunity to capture new customers that haven't shopped with us before, highlighting how integral this channel is to the future growth of the business.

We were particularly pleased with Ecommerce performance during the Covid-19 related closure of our stores which have seen increases of 55% year-on-year in the year to date. Some of this outperformance will have benefited from channel shift from temporarily closed stores and targeted promotional activity to generate cash and clear aged stock, but some of which will also be due to the improving product and enhanced photography.

This year, we more than doubled the number of options available online, helping clear aged stock which was previously sat dormant in warehouses, and maintained a full price stance on current season product to protect margin and brand. Across our own sites we delivered a number of payment and customer experience innovations ahead of the peak trading season, including refreshed home and category pages, and the introduction of a fit analytics tool. These customer experience enhancements, together with more considered and selective discounting on aged products, helped us achieve our best Black Friday event to date.

Even when handling the record levels of demand we saw on Black Friday, and operating with unprecedented levels of disruption during Covid-19 more recently, our logistics infrastructure allowed us to continue to fulfil our customer delivery proposition throughout.

Improvements in our digital channels will continue to be the focus of our capital investment over the next year. We have a dynamic rolling programme of enhancements, each of which will continue to improve the customer experience.

Investment in robotics this year has enhanced our returns processing, reducing direct labour costs, resulting in a more cost-effective and efficient system. Our autonomous mobile robots are now in two of our warehouses, processing over 600,000 units since going live. In FY21, we plan to invest further in robotics, starting first in our UK site, to not only include returns processing, but multi-channel picking too.

Channels to market – Wholesale

The commitment to reduce our promotional activity has not only helped to protect our brand globally, but it has also rebuilt our relationships with wholesale partners, who continue to be crucial partners in our multi-channel operation.

Acknowledging this two-way relationship, we have adjusted our wholesale deliveries to match the requirements of our wholesalers, and not that of our financial year. In the year, we closed accounts in the US due to unprofitable contracts, and in Russia and Norway due to bad debts. We will continue to monitor and review existing and new potential opportunities country by country, ensuring sustainable growth rather than chasing revenues and damaging margins.

We have begun to implement our strategy to provide wholesalers with a constant flow of exciting and innovative new product – with new capsule injections beginning from September 2019 – strengthening these relationships by providing them product which delights and engages their own customers.

Covid-19 presented significant challenges with the SS20 season, with many of our partners, particularly our franchisees that experienced store closures, suffering similar disruption as the Superdry owned store estate. Delays in shipping product, initially due to supply challenges in China, and latterly due to suppressed demand and an inability for partners to receive product meant we saw delays in the fourth quarter. However, we have worked closely with all of our Wholesale customers during the pandemic, and are pleased to have reconfirmed most of the AW20 order book.

This year we opened 13 franchise stores (including seven in India and four in the UK). We now have around 500 franchises and licenses across 57 countries, and expect to add an additional net 30 stores in FY21, having added more than 10 by the end of August 2020, a testament to the strength of the brand.

In FY21 we'll continue to support our partners in their recovery from Covid-19. The improved and clearly segmented collections will allow us to optimise our distribution, expanding with new buyers and markets not previously accessible.

China

During the current year, the Board and management reviewed the long term business plan for the China joint venture with our partners Trendy International. Following those discussions, and taking into account the current challenging retail environment due to Covid-19, both parties agreed to end the relationship. We provided for exceptional costs of £1.5m in FY20, relating to the wind-up of the China joint venture. We have subsequently recovered £4.2m of stock from the joint venture as at the end of August 2020, resulting in a lower than expected bad debt provision of £2.2m. Consequently, we do not anticipate any further material costs in relation to the joint venture.

Sustainability

We continue to elevate sustainability to be at the heart of our brand DNA, and have made great progress this year against our milestones. We are working directly with farmers in India to convert to organic cotton, which was used in 19% of our FY20 products, and means we are confident enough to accelerate our goal of 100% organic cotton in our products by 10 years to 2030. This commitment to responsible production can be found across our collection - in SS20 all of our padded jackets and gilets jackets used recyclable fills, and in AW20 we are launching a range of vegan footwear.

Our sustainability goals aren't just limited to products. Since 2018, our entire store and corporate office estate have been converted to 100% renewable electricity, and we are on a journey with our distribution, franchise partners and supply base to switch by 2030.

Summary

We have made some good operational progress this year, but have also faced some huge challenges. We have been clear that a comprehensive turnaround will take time, and we must be realistic in respect of the impact Covid-19 has had on us and the wider global community. Despite these headwinds, I have great confidence that the product reset in AW20 will be the first of many successes along this journey.

Our aim remains the same - to restore Superdry to a full price proposition, with strong brand recognition and a loyal customer base, and to accelerate our Ecommerce business by leveraging our social media presence and following.

I am incredibly proud of the hard work and dedication to Superdry of all colleagues this extraordinary year. I want to thank you all for continuing to be the embodiment of our core values. We will continue to drive forward the strategy and emerge a stronger Superdry than ever before.

Financial Review

Revenue

In an already difficult retail climate and with the added challenges of the Covid-19 pandemic, Group revenue fell 19.2% year-on-year to £704.4m (2019: £871.7m). This was driven by a decline in both divisions, with Retail declining 18.2% and Wholesale declining 20.7%. Revenues declined 11.0% in the first half, largely attributed to returning to a disciplined full price trading stance as a long term commitment to brand protection, against a background of an increasingly promotional high street. We delivered a strong Black Friday trading period in volume and contribution; however, our trading in the immediate pre- and post- Christmas period was below expectation and contributed to our trading update and profit reforecast in early January. In the second half, trading declined 26.6% year-on-year, largely due to Covid-19 forced store closures, where the entire estate was closed for five weeks, reducing demand given the general uncertainty in the global economy, affecting all our markets. Prior to the impact of Covid-19 in Week 46, which is when Superdry first saw store closures in Italy, Group Revenue year to date was down 12.7%, declining 71.0% in the remaining six weeks of the year as the pandemic disrupted all areas of the business.

The currency translation impact of the Group's international operations was (0.3)% and therefore a minimal impact to Group revenues on a constant currency basis.

Our Retail division

Our Retail division includes Owned Store and Ecommerce as routes to market. Owned Store decline of 22.7% and Ecommerce decline of 8.0% resulted in the Retail division delivering revenue of £438.8m (2019: £536.7m), down 18.2% year-on-year.

Retail store performance was affected by 0.6% space decline in the year, closing seven unprofitable stores to finish the year with 241 owned stores across the UK, Europe and the USA. Like-for-like ('LFL') store sales saw a decline of 14.4%, following a decline of 9.6% in FY19. An explanation of LFL can be found in the Alternative Performance Measures in note 23. Owned stores started to close in Europe in early March 2020 and the whole estate was closed for a period of five weeks starting 22 March, before starting to reopen late April 2020. The store estate was substantially reopened on 15 June when stores in England began trading, though ~5% of stores remain closed as at the end of August, predominantly airport locations and in specific locations. Closures due to the Covid-19 pandemic are estimated to have contributed towards the miss to revenue forecast of £29m during the final two months of FY20, equating to 7.8%pts of the full year decline of 22.7%.

Ecommerce revenue declined by 8.0%, driven by owned sites as we traded on a less promotional stance pre-Covid-19, partially offset by the growth from new EU third party sites. Throughout the period stores were closed, our online business kept trading across all 18 owned sites. During the early stages of the pandemic customer demand was suppressed, before recovering strongly as we exited the year, benefiting from promotional activity to clear excess Spring/Summer 2020 stock as well as channel shift from closed stores. The net impact of this in the last two months contributed towards the miss to revenue forecast of £1m in the final two months of FY20.

This change in performance between stores and Ecommerce, exacerbated by the temporary store closures in March and April, resulted in FY20 Ecommerce participation within FY20 Retail revenue increasing from 30.4% to 34.2%.

Retail revenue	**2020 £m**	2019 £m	Change
Owned Retail Stores	288.8	373.7	(22.7)%
Ecommerce	150.0	163.0	(8.0)%
Total Retail revenue	438.8	536.7	(18.2)%
Ecommerce revenue as a proportion of Total Retail revenue	34.2%	30.4%	
Ecommerce revenue as a proportion of Group revenue	21.3%	18.7%	

Performance in our largest market, the UK and ROI, saw revenues decline 18.3%, predominantly due to the return to a full price trading stance impacting the first 10 months of the year, followed by the unprecedented impact of Covid-19, impacting both store and online trading. We saw similar dynamics across European and Rest of World territories.

Retail revenue by territory	**2020 £m**	2019 £m	Change
UK and Republic of Ireland	**215.3**	263.4	(18.3)%
Europe	**173.7**	208.1	(16.5)%

Rest of World	**49.8**	65.2	(23.6)%
Total Retail revenue	**438.8**	536.7	(18.2)%

Our Wholesale division

Our Wholesale division includes multi-brand independents and distributors, franchise and license stores in secondary catchments and developing markets, and physical and online department stores as routes to market. Wholesale revenue of £265.6m was down 20.7% year-on-year (2019: £335.0m). We rebuilt our relationships with Wholesale partners including resetting delivery timelines in H1 to reflect their needs, however, the expected recovery in H2 was hampered by Covid-19, with suppressed demand and an inability for us to deliver stock prior to the year end.

Wholesale partners with store operations faced the same closures as our owned retail stores, with a greater proportion of revenues coming from Europe contributing to the adverse impact of Covid-19. Closures due to the Covid-19 pandemic are estimated to have contributed towards the miss to revenue forecast of £42m during the final two months of FY20, equating to 12.5%pts of the full year decline of 20.7%.

At the end of the year, the Group had Wholesale operations in 61 countries (2019: 69) including 473 franchise stores (2019: 464) and 26 Superdry branded licensed stores (2019: 22). In the year, we closed accounts in the US due to unprofitable contracts, and in Russia and Norway due to bad debts. These accounts equated to £11.9m, 3.6%pts of the total 20.7% wholesale channel decline.

Wholesale revenue by territory	**2020 £m**	2019* £m	Change
UK and Republic of Ireland	**39.1**	47.0	(16.8)%
Europe	**188.0**	235.5	(20.2)%
Rest of World*	**38.5**	52.5	(26.7)%
Total Wholesale revenue	**265.6**	335.0	(20.7)%

***** In the prior year, all clearance activity was allocated to 'Rest of World and Other' within Wholesale. In FY20 clearance has been allocated to the relevant territories for clarity. In order to ensure accurate comparatives, this methodology has been applied retrospectively to FY19.

Gross Margin

The reduction in Group gross margin by 150bps to 53.6% (2019: 55.1%) was driven by 110bps drag from one-off activity, including increased stock obsolescence provisioning as a result of Covid-19 (£6.1m, 90bps).

Despite the negative mix impact to group margin of store closures and the Covid-19 related promotional activity online during Q4, our disciplined full price stance during 2019 resulted in retail full price mix increasing +12pts year-on-year, contributing +90bps to gross margin.

FX headwinds, driven by the strong USD also impacted gross margin by 140bps, increasing our cost of sales and the sales in EUR not being enough to offset this.

Wholesale margin suffered as a result of lower forward orders and the higher mix of clearance activity during the year as well as the allocation of the accounting adjustments mentioned above.

Gross Margin by channel	**2020**	2019	Change
Retail	64.5%	63.4%	1.1%pts
Stores	*67.0%*	*64.5%*	*2.5%pts*
Ecommerce	*59.6%*	*60.8%*	*(1.2)%pts*
Wholesale	35.7%	41.9%	(6.2)%pts
Total Gross Margin	**53.6%**	**55.1%**	**(1.5)%pts**

Operating Costs

Selling, general and administrative expenses, pre-exceptional costs of £412.1m (2019: £447.0m) and impairment losses on trade receivables of £9.2m (2019: £nil), total £421.3m (2019: £447.0m). This includes the sales and distribution costs for the Retail and Wholesale channels and Central costs.

Sales and distribution costs (which include costs associated with operating stores, depreciation and transporting products) totalled £351.2m (2019: £372.4m), a decrease of 5.7%. Drivers of the decrease in store costs (£8.3m year-on-year), included the benefit of the ongoing lease

renegotiations, with an average rent saving of 43% secured on the 49 leases that have been re-geared to date. The UK business rates holiday announced on 11 March 2020 resulted in £1.7m of benefit in FY20, with a further £14.3m of savings to be realised in FY21. Distribution costs declined £9.6m, following the planned consolidation of our US warehouses from four to one, as well as benefiting from reduced volumes. Head office costs were broadly flat, with investment in Ecommerce development offset by disciplined cost management, including a temporary pay cut for the executive team and Board, and no bonus across the Group. The planned restructuring across stores and head office, completed in August 2020, is expected to reduce overhead staff costs by 20%, representing a £12m annualised cost saving.

The savings in FY20 were offset by additional bad debt charges of £13.6m year-on-year (£9.4m recognised at H1 FY20), recognising the heightened collection risk as a result of Covid-19, with the majority attributable to wholesale as a result of our partners suffering the same challenges as Superdry and the remaining £2.2m relating to the China Joint Venture. We also increased our marketing spend by £2.4m (11.9%) year-on-year, albeit less than originally planned, with Q4 savings made as part of cash preservation measures.

Central costs (which include the costs of our global operations teams, support functions and related depreciation) of £70.1m (2019: £74.6m), a decrease of 6.0%, due to tighter control over costs, particularly towards the year end as a result of Covid-19.

Underlying other gains and losses (which include royalty income and other income) were £9.1m (2019: £10.8m), a decrease of 15.7%. This is largely the result of a reduction in royalty income following the decrease in Wholesale revenue.

Net finance costs were £7.5m (2019: £1.0m), of which £5.7m relates to interest expense on leases following the transition to IFRS 16 (2019: nil). The net underlying share of loss of our China joint venture is £nil (2019: £3.7m). Having invested £18m since FY16, on 18 June 2020 the Group announced the plans to exit its joint venture agreement in China. The investment had been written down to nil value in 2019. We provided for exceptional costs of £1.5m in FY20, relating to the wind-up of the China joint venture. We have subsequently recovered £4.2m of stock from the joint venture as at the end of August 2020, resulting in a lower than expected bad debt provision of £2.2m. Consequently, we do not anticipate any further material costs in relation to the joint venture.

Underlying (Loss)/Profit Before Tax

	Underlying 2020 £m	Underlying 2019* £m
Revenue:		
Retail	**438.8**	536.7
Wholesale	**265.6**	335.0
Group revenue	**704.4**	871.7
Underlying operating profit:		
Retail	5.3	25.5
Wholesale	31.4	93.3
Central costs	(71.0)	(74.6)
Underlying total operating (loss)/profit	**(34.3)**	44.2
Underlying operating margin	**(4.9)%**	5.1%
Net finance income – Central costs	**(7.5)**	(1.0)
Impairment losses on financial assets – Wholesale and Central costs	**-**	(1.5)
Share of joint venture – Central costs	-	(3.7)
Total underlying (loss)/profit before tax	**(41.8)**	38.0

Underlying loss before tax (as defined in note 23) for the 52-week trading period was £(41.8)m (2019: £38.0m profit restated after a non-cash prior year adjustment to stock of £3.9m – see note 22 for further details).

In addition to the items above, the statutory operating loss before tax is after charging net exceptional and other items of £125.1m (2019: £116.3m).

	2020 £m	Group 2019* £m
Underlying (loss)/profit before tax	**(41.8)**	38.0
Exceptional and other items		
Unrealised gain/(loss) on financial derivatives	**1.9**	23.9
Store asset impairment and onerous property related contracts provision	**(124.8)**	(129.5)
Restructuring, strategic change and other costs	**(1.9)**	(8.1)
IFRS 2 charge on Founder Share Plan	**(0.3)**	(2.6)

Total exceptional and other items in operating (loss)/profit	**(125.1)**	(116.3)
Impairment of losses on financial assets	**-**	(8.5)
Share of joint venture exceptional costs	**-**	(2.5)
Total exceptional and other items before tax	**(125.1)**	(127.3)
Reported (loss)/profit before tax	**(166.9)**	(89.3)

Exceptional and other items in the period totalled a charge of £125.1m in the year (2019: £127.3m), primarily due to a £121.2m impairment relating to the right-of-use assets, together with a £15.6m impairment relating to PPE and intangibles, offset by a £12.0m release for the onerous lease provision. In the prior year, a non-cash impairment and onerous lease charge was made of £129.5m, affecting 114 stores.

Exceptional items also include a charge of £1.9m made up of predominantly wind-up costs in relation to our China joint venture (£1.5m), as well as restructuring and changes in strategy following the change in management in April 2019 (£0.4m).

Other items in the year include a £1.9m credit in respect of the fair value movement in financial derivatives (2019: £23.9m) which has been driven by changes to the timing and type of derivatives used to hedge Euro receivables and US Dollar payables and by rate movements during the hedging period.

The IFRS 2 charge of £0.3m in respect of the Founder Share Plan is also included within other items (see note 8 for further details).

IFRS 16 has been adopted by the Group from 28 April 2019, and replaces IAS 17 Leases and its related interpretations. It has been adopted using the modified retrospective transition approach, therefore neither the 52 weeks ended 27 April 2019 nor the 26 weeks ended 27 October 2018 have been restated, and continue to be shown under IAS 17. As a result of the transition to IFRS 16, the Right of Use assets within Non-Current Assets increased by £287.3m. The subsequent significant impairment in the current year reduces profit by £136.8m as a consequence of the downgraded store outlook, a direct consequence of Covid-19.

The impact of this change compared to the accounting under IAS 17 is as follows:

	U/lying FY20 Pre-IFRS 16 £m	**IFRS 16 Impact £m**	**U/lying FY20 Post-IFRS 16 £m**	**Exceptional items £m**	**Reported FY20 Post-IFRS 16 £m**
Sales	704.4		704.4		704.4
Gross margin	377.9		377.9		377.9
Rental charge	(78.1)	69.2	(8.9)		(8.9)
Net depreciation	(42.4)	(54.3)	(96.7)		(96.7)
Other costs	(323.3)		(323.3)	(125.1)	(448.4)
Onerous related property contract utilisation	17.5	(11.0)	6.5		6.5
Store impairment adjustment	10.2		10.2		10.2
Operating profit	**(38.2)**	**3.9**	**(34.3)**	(125.1)	**(159.4)**
FX and interest	(1.8)	(5.7)	(7.5)		(7.5)
(Loss)/profit before tax	**(40.0)**	**(1.8)**	**(41.8)**	**(125.1)**	**(166.9)**

The non-IFRS 16 onerous lease provision utilisation and reduced depreciation as a result of the impairment charge will unwind over the remaining life of the impacted leases, benefiting the underlying profit before tax. The implementation of IFRS 16 has changed the forecast release from what was reported in the FY19 annual report.

For further details on the transition to IFRS 16, please see note 4.

The determination of exceptional items and other items is further explained in note 6.

Taxation in the period

Our tax credit on underlying losses is £6.1m (2019: £11.5m tax expense on restated underlying profit). This represents an underlying effective tax rate of 14.6% (2019: 30.3%).

Our tax credit on statutory losses is £23.5m (2019: £12.4m tax expense on restated loss). This represents an effective tax rate of 14.1% (2019: 13.8%).

The Group's underlying effective tax rate is lower than the statutory rate of 19% (2019: 19%). This is primarily due to the level of overseas losses and lease liabilities on the balance sheet to which no tax benefit has been recognised, China joint venture exit costs which are non-deductible for tax purposes, the level of lease liabilities held on the balance sheet to which no tax benefit has been recognised, together with depreciation and amortisation on non-qualifying assets.

The net tax credit on exceptional and other items totals £17.4m (2019: £0.9m tax credit). An exceptional tax credit of £16.7m arises as a result of impairments to the right of use asset values, due to the transition to IFRS 16 in the current year, and a £1.5m credit is a result of impairments to PPE, at the balance sheet date. The remaining charge of £0.8m arises due to movements on the derivative contracts and an updated onerous lease review.

(Loss)/profit for the period

After exceptional and other items, Group statutory loss after tax for the year was £143.4m, compared to a £101.7m loss in 2019.

Earnings/loss per share

Reflecting the loss achieved by the Group during the year, underlying basic EPS is (43.5)p (2019: EPS 32.4p).

The underlying performance of the business, offset by the exceptional and other items outlined above, results in a reported basic EPS of (174.9)p (2019: EPS (124.2)p) based on a basic weighted average of 82,001,955 shares (2019: 81,870,875 shares). The increase in the basic weighted average number of shares is predominantly due to 15,540 5p ordinary shares being issued during the year under Buy As You Earn schemes.

Underlying diluted EPS is (43.3)p (2019: EPS 32.3p) and diluted EPS is (174.1)p (2019: EPS (123.9)p. These are based on a diluted weighted average of 82,389,450 (2019: 82,068,659) shares.

Dividends

An interim dividend for the six months to 26 October 2019 of 2.0p per share was paid on 21 January 2020. In the light of the current situation, the Board has made the decision not to recommend a final dividend in relation to FY20.

Cash flow, balance sheet and investments

Superdry remains a strongly cash-generative business, with operating cash generated before working capital movements of £75.5m (2019: £78.5m), and retained net cash balances of £36.7m (2019: £35.9m) at the end of the year after funding continued investment across our business and despite the significant impact of the Covid-19 pandemic. Following the outbreak of Covid-19 in our core markets, management took a number of decisive cash preservation actions to mitigate the lost revenues as a consequence of temporary store closures, which included:

- Reduced FY20 capital expenditure when Covid-19 hit, approximately £7m lower versus our pre-Covid-19 investment plans;
- Applied careful but considered cash control measures to our day-to-day operations including, but not limited to, reducing staff travel, the reduction of marketing budgets and the reduction of logistics costs, resulting in an immediate reduction in overheads and discretionary spend of approximately £2m per month during lockdown;
- Requested £20m of rent deferrals, the majority of which were achieved. The UK 12 month business rates relief represents a £16m benefit, with £1.7m realised in FY20;
- Deferred VAT, PAYE and Customs Duty of more than £5m, and recovering historic corporation tax overpayments of £11.5m;
- Furloughed 88% of staff upon closure of our store estate and corporate sites, and applied for government job retention support in relevant markets (£2.9m in FY20). Executive Directors and members of the Board took temporary pay reductions beginning April 2020, and no bonus scheme was payable in FY20; and
- Worked collaboratively and with the support of our long-standing supply base, we have extended payment terms, increased discounts and substantially rebalanced, reduced and rescheduled our stock intake, reducing the number of units of future buys by 20%.

After the year end, on 10 August 2020 the Group announced that it had completed a refinancing of its facilities, from a Revolving Credit Facility for £70m due to expire in January 2022 to a new Asset Backed Lending ('ABL') facility for up to £70m due to expire in January 2023,

with amended covenants. Having thoroughly stress tested trading scenarios and despite a going concern material uncertainty relating to the covenant tests, management believes that the new facility provides sufficient liquidity to continue trading through what is likely to remain a difficult trading environment for some time.

£m	2020 £m	2019 £m
Operating cash flow before movements in working capital	**75.5**	78.5
Working capital movement	**12.0**	(23.9)
Interest paid	**-**	(1.0)
Taxes	**(2.2)**	(15.9)
Net cash generated from operations	**85.3**	37.7
Long-term loan to joint venture	**-**	(5.0)
Purchase of PPE and intangible assets	**(13.9)**	(24.4)
Proceeds from disposal of assets held for sale	**2.4**	-
Dividend payments	**(3.4)**	(46.0)
Net interest paid*	**(7.5)**	-
Proceeds of issued share capital	**-**	0.1
Drawdown of RCF	**(30.0)**	(21.5)
Repayment of RCF	**30.0**	21.5
Repayment of lease liability principal	**(61.1)**	-
Net (decrease)/increase in cash	**1.8**	(37.6)
Other (including foreign currency movement)	**(1.0)**	(2.3)
Net cash and cash equivalents at end of period	**36.7**	35.9

*The line indicated is impacted by the application of IFRS 16 in the current year only. Refer to note 4 for further details.

Net cash generated from operations of £85.3m has increased versus the prior year (2019: £37.7m), resulting mainly from the reclassification of rental payments under IFRS 16 (£61.1m) from operational activities to financing activities. Excluding the lease principal repayments and lease liability interest, there is a reduction in net cash generated from operations of £19.2m year-on-year, which is the result of the change in underlying trading performance.

Working capital cash flow was an inflow of £12.0m, including a decrease in inventories of £21.6m and a net reduction in trade and other debtors of £14.6m. Trade and other payables were an outflow of £24.2m.

Working capital

Inventory levels decreased by 15.1% to £158.7m (2019: £186.9m), despite lower sales, the closures of stores from Covid-19 and the inherited stock position. This reduction is a direct consequence of targeted clearance activity and a more disciplined forward season buy. The inventory balance includes a one-off charge of £6.1m relating to Covid-19 related obsolescence provisioning and £3.9m for expensing sample stock in the year.

Total trade and other receivables decreased by 21.5% to £96.1m (2019: £122.4m), reducing broadly in line with Wholesale revenue (-20.7%), as a result of cash collections and the disruptive impact of Covid-19 over the period end on both shipments and sales. Included within the trade receivables balance is a bad debt provision of £14.6m (2019: £5.4m).

Total payables decreased by 18.9% to £103.3m (2019: £127.3m) including deferred payments for rent, partially offset by delayed stock intake in relation to Covid-19.

Total working capital decreased 16.8% during the year to £151.5m (2019: £182.0m) and as a proportion of Group Revenue was 21.5% (2019: 20.9%).

Current assets		2020 £m	2019 £m	Change
Working capital	Inventories	**158.7**	186.9	(15.1)%
	Trade and other receivables	**96.1**	122.4	(21.5)%
	Trade and other payables	**(103.3)**	(127.3)	(18.9)%
Total working capital		**151.5**	182.0	(16.8)%

Investments

Cash investment in property, plant and equipment and intangible assets totalled £13.9m (2019: £24.4m).

As at 25 April 2020, the net book value of property, plant and equipment decreased to £41.7m (2019: £74.1m) as a consequence of the impairment. During the year, £6.5m (2019: £14.6m) of capital additions were made, of which £1.6m (2019: £7.0m) related to leasehold improvements across the Group. The remaining balance of capital additions includes furniture, fixtures and fittings (£2.7m) and computer equipment (£2.2m). Capital expenditure reduced significantly as a result of reduced investment in the store portfolio and short term cash preservation initiatives during Covid-19.

Intangible assets, comprising goodwill, lease premiums, distribution agreements, trademarks, website and computer software, stood at £48.4m at the year end (2019: £51.5m). Additions in the year were £7.2m (2019: £9.2m), comprising mainly website and software additions.

In response to the identification of a prior year stock accounting adjustment in December 2019 and an internal audit review highlighting control weaknesses in Credit Control, Accounts Receivable and the IT environment, a review of the Groups key internal controls was undertaken, including both financial and non-financial processes. During FY21, outstanding remedial actions will be completed, along with a programme to embed the controls framework into the business and to monitor ongoing compliance and further improvements to the control environment has been established. `

Outlook

The Covid-19 pandemic has created material uncertainty including, but not limited to, the recovery in consumer demand and the impacts of social distancing measures, levels of competitive discounting, supply chain disruption, and geopolitical impacts. From a strategic perspective the Group will continue to focus on design, product, consumer targeting and becoming more efficient in operations, to ensure that it maximises performance where possible to drive the business turnaround, grow scale and return the brand to sustainable, profitable growth.

Despite a stronger than anticipated performance in Q1 (historically our lowest trading period), we remain cautious on the shape of the economic recovery, and recognise there is a material uncertainty (see going concern note statement below for further details) relating to our covenant tests in FY21, and are not providing formal guidance.

In the balance of the year we anticipate:

- An improvement in store trading from current levels, though expect LFLs to remain negative on a FY basis, given the pressure on consumer demand and uncertainty relating to any disruption from Covid-19, even considering the comparable trading in March and April when stores were temporarily shut;
- Wholesale sales to see some improvement from current trading levels through in-season sales, with franchise store LFLs in Europe recovering strongly, and normalisation of Spring/Summer forward order shipment timing;
- Most recent Ecommerce performance trends to continue over the remainder of the year, benefiting from the continued channel shift as a result of social distancing measures in stores, and from the investments in our brand and digital infrastructure;
- Gross margin impacted by a number of dynamics, with a heavily discounted promotional stance to clear excess stock and generate cash, negatively impacting full price mix year to date, but partially offset by the unwind of FY20 non-trading headwinds;
- Costs to reduce substantially in FY21, due to rent renegotiations, volume-driven and efficiency savings in logistics, and a substantial reduction in bad debt expense, together with net overhead savings from discretionary spend and payroll;
- Even under a downside scenario, closing net cash is expected to be positive, benefiting from the cash preservation measures implemented at the start of the year.

Assessment of the Group's Prospects

Background

The financial position of the Group, its cash flows and liquidity position are set out in the financial statements. Furthermore, the Group Financial statements include the Group's objectives and policies for managing its capital, its financial risk management objectives, details of its financial instruments and exposure to credit and liquidity risk (please refer to note 20).

In addition to the journey to reset the brand and deliver on our transformation plans which began in April 2019, the Group now faces the unprecedented and global impact of the Covid-19 pandemic, which has resulted in substantial disruption across all aspects of our business. By 22 March 2020, our whole owned store portfolio was temporarily closed, with the vast majority of our physical wholesale locations (franchise stores and department stores) similarly impacted. After initially suppressed demand, our Ecommerce business was able to offset some of these lost store sales, albeit benefiting from extended promotional activity to drive cash generation and sell-through current season stock during this trading disruption. From early May 2020, our store portfolio started to reopen with ~95% stores now trading, and though performance continues to recover, social distancing measures, together with broader economic and health concerns are impacting on consumer demand for discretionary retail, at least in the short-term. Despite these headwinds, management have taken a number of swift and decisive actions to preserve cash, and as at 16 September, the Group has £49.2m net cash on the balance sheet (2019: £4.9m), significantly ahead of the FY21 budget. Our total creditor position as at the end of July 2020 was only £3.1m higher year-on-year, with deferred property costs and taxes broadly offset by the delayed intake of future season stock. The medium term financial plan incorporates the unwinding of these measures, primarily in H2 21.

Liquidity headroom

On 10 August 2020 the Group announced that it had completed a refinancing of its facilities to an Asset Backed Lending (ABL) facility up to £70m due to expire in January 2023, with amended covenants (detailed in the Covenant Testing section below) and the option to extend at the discretion of the lender for a further 12 months.

The RCF facility was not drawn-down at the year-end but was partially utilised during the FY20 year, with a maximum drawdown of £30m ahead of our peak trading period, reflecting the seasonality of cash flows during the Group's annual trading cycle.

In addition, the Group has an overdraft facility of up to £20m available on a rolling annual basis, albeit as this is not committed, it has not been considered by management as part of the going concern and viability assessment.

Base Case:
The CEO's strategy for the Group is described within this announcement. This turnaround strategy has been used to develop a medium-term financial plan (the "Plan"), which builds from the FY21 internal budget and has been used for the basis of management's going concern and viability conclusions. The Plan, which is in its early stages of implementation, assumes the Group halts the underlying decline in performance which began in FY19, and reverses the incremental impact of store closures and operational disruption resulting from Covid-19. Key assumptions used in the Base Case were:

- The Q1 FY21 (May, June and July 2020) trading performance and cash position materially ahead of the Plan.
- All trading channels benefitting from the ongoing product improvements, operational initiatives and planned marketing activity to support the AW20 reset from October 2020.
- Store trading continues to recover as stores reopen and consumer demand returns, benefiting from store refurbishments and presentation of the new ranges, stabilising at an underlying 10% revenue decline year-on-year, reflecting the macroeconomic uncertainties in H2 21, and excluding the comparable impact of store closures in late FY20. While store revenues in FY22 recover to a 'normalised' position, this is still materially below FY19 levels, reflecting the ongoing channel shift towards online, with profitability delivered through full price trading margins, renegotiated leases and payroll restructuring.
- Ecommerce trading benefiting from the underlying and recently accelerated channel shift towards digital (from physical retailing), together with planned development activities to improve website user experience, supporting FY21 and FY22 growth, and continuing to accumulate through investment throughout the Plan.
- Wholesale performance declining in FY21 reflecting the lower forward order books from partners suffering similar headwinds from Covid-19, with a similar level of decline forecast into the SS21 season, before recovering over the medium term due to continually improving product and growing partner confidence, the result of the change to a full price trading stance and corresponding brand health improvement.
- Gross margin reflects a flexible trading stance in the early part of FY21 to clear excess stock, before a step change into FY22 and onwards as we return to full price trading and see the benefits of product initiatives and brand investment.
- Disciplined cost management and savings programmes, including an acceleration of lease renegotiations, store payroll savings and logistics benefits relating to operational changes and DC closures in FY20. At the time of writing this report a number of these measures have been implemented and are on-track to deliver the cash savings envisaged in the medium term financial plan.
- A reduction in marketing spend in FY21, as consequence of reduced activity during lockdown and a reallocation towards consumer focused spend and away from wholesale and internal events, before accelerating marketing spend at 2.5-3.0x revenue growth from FY22 onwards to support brand health and new customer acquisition.

Due to the timing of the disruption occurring over the FY20 year end, the plan sees a recovery in profit and revenues in FY21 and FY22, particularly in the store estate as we lap the periods where stores were temporarily closed, before trending towards a sustainable growth profile as the strategic initiatives are executed. In the medium term, the plan assumes the return to profitability and revenue growth, with sales recovering to FY19 levels by FY24. As a consequence, the Board believes four years is the most appropriate time period over which to assess the viability of the business.

Reverse stress test
Given the base case reflects both the results of the turnaround plan, and the uncertainties surrounding forecasts due to the Covid-19, the Group has modelled a reverse stress test scenario. The reverse stress test models the decline in sales that the Group would be able to absorb before requiring additional sources of financing in excess of those that are committed.

In addition to a revenue-only reverse stress-test, a further downside scenario was modelled, to determine the revenue headroom after these additional impacts:

- 200bp margin dilution in all channels for the duration of the viability period.
- A proportion of the incremental revenues and/or cost savings not achieved, modelled annually throughout the viability period.
- An acceleration of stock payments from September to December, impacting working capital.

Whilst management consider that this downside scenario to be unlikely, it is considered to be more than remote. However, the Directors have considered the feasible mitigating actions that are available to them and could reasonably be implemented, together with the availability of its banking facilities until at least January 2023.

This assessment is linked to a robust assessment of the principal risks facing the Group. The principal risks are outlined in note 26. Though the impact of Brexit is not specifically modelled, the impacts are assumed to be within the downturn scenario detailed above.

Mitigating actions
If there are different outcomes to the Base Case that have a materially adverse impact on the Group, the continued impact of these events could result in a reduction in liquidity and/or a longer period of lower EBITDAR, which in turn risks covenant breaches. Management have considered the plausible mitigating actions available to them. Potential mitigating actions considered by management are a reduction in uncommitted capital expenditure, suspension of the dividend, reduction in discretionary spend and a reduced purchase of new season stock in line with the lower sales values.

Management believe that the likelihood of this revenue decline scenario together with other downside impacts occurring is low, albeit more than remote, in the event of an even more severe and prolonged downside trading scenario than that modelled by the reverse stress test and, should the mitigating actions outlined above not be sufficient, management would likely adapt the current store portfolio strategy to exit a greater proportion of stores, with ~65% of leases falling due in the next 3 years.

Covenant testing
The covenants in the new ABL facility are tested quarterly and are based around the Group's EBITDAR (relative to the internal Budget) until the end of FY21 and fixed charge (rent and interest) cover thereafter. The covenants are tested on a 'frozen GAAP' basis and hence the adoption of IFRS 16 will not impact them.

In addition, due to these ratios being tested on a trailing 12 months basis (much of which has already occurred as at the first EBITDAR test in October 2020), there is also a drawdown limit of £35m on the facility for the month of October 2020 only (after which time the facility is capped at £70m, subject to the borrowing base availability), which is intended to give the debt providers additional comfort around short-term cash management. Based on the Group's current net cash position of £49.2m as at 16 September, and the short-term cash flow forecast over the next six weeks until 31 October 2020, the Directors believe there is adequate liquidity over this period, even in the event of a severe downside in the short-term.

The Base Case forecast indicates that the banking covenants will be met throughout the going concern period. Under the reverse stress test, which management considers to be more than a remote possibility, liquidity headroom remains adequate, though the covenants would be under pressure over the 12 month going concern period in this scenario. Consequently, they are most sensitive to the macroeconomic recovery and performance over the peak trading period in Q3 FY21. If this were to occur management would approach lenders for a covenant waiver. Whilst there would be no guarantee that such a waiver would be made available, in making their assessment management note that they currently have a good relationship with their lenders, the lenders have been made aware of all key inputs into the medium term financial plan and it is management's view that the combination of events required for such a breach to occur, whilst possible, is not expected to occur. In addition, it should be noted that the Group would be cash positive at the point these covenants were breached, given the seasonal working capital cycle, with substantial liquidity maintained throughout the going concern period.

Significant judgements
In using these financial forecasts for the going concern assessment, the Directors recognise that significant judgements were required in deciding what assumptions to make regarding the impact of the coronavirus pandemic on the retail sector and wider economy, and specifically to Superdry, the ability to execute the turnaround plans required to recover brand health and return the business to profitable growth. Whilst we have seen short-term trading ahead of expectations, the medium term macroeconomic environment, and its impact on the efficacy of our strategic turnaround initiatives, result in greater uncertainty than would usually be the case in making the key judgements and assumptions that underpin the financial forecasts for the business. The coronavirus pandemic is unprecedented, and so in making their assessment of the future prospects of the Group the Directors have incorporated additional risk adjustments into the FY21 internal budget.

The Directors noted that the risks set out above indicate that a material uncertainty exists and may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The material uncertainty relates to:
- the recovery in consumer demand, and the Group's ability to capture this during the AW20 reset season; and,
- the ability of the Group to meet the new covenants from debt providers

This uncertainty relates specifically to the covenant tests over the 12 month going concern period; the Directors have assessed the liquidity requirements of the group under these downside scenarios and believe them to be adequate.

Going concern statement

After considering the forecasts, sensitivities and mitigating actions available to management and having regard to the risks and uncertainties to which the Group is exposed (including the material uncertainty referred to above), the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, and operate within its borrowing facilities and covenants for a period of at least 12 months from the date of signing the financial statements, taking into account the working capital troughs in both FY21 and FY22. Accordingly, the financial statements continue to be prepared on the going concern basis.

Viability

In line with the UK Corporate Governance Code, the Directors have assessed the prospects of the Group over a longer period than that required by the 'going concern' provision. The Directors have assessed the viability of the Group over the four year period through to FY24 using the medium term financial plan. The Plan is in its early stages of implementation and assumes the successful implementation of the

turnaround strategy to reset the brand, reversing the decline in performance which began in FY19 and return the Group to FY18 profitability and growth over the medium/longer term horizon.

The four year viability period coincides with the Group's strategic review period for the turnaround, and is consistent with previous viability assessment periods. Furthermore, beyond this period, performance is impacted by global macroeconomic conditions which become increasingly difficult to predict, exacerbated by the impact of Covid-19.

The viability assessment has considered the potential impact of the principal risks on the business in particular future performance (including the success of the brand reset and turnaround strategy) and liquidity over the period. In making this statement, the Directors have considered the resilience of the Group under varying market conditions together with the effectiveness of any mitigating actions and the availability of financing facilities.

As already described in the statement on going concern, as part of this assessment the Directors have considered a severe but plausible trading scenario modelled (which is considered to be more than a remote possibility), using an extended reverse stress test over the period with similar mitigations as under the Going Concern assessment, and have taken account of the availability of the Group's ABL.

Whilst recognising the challenging retail environment will increase the risks and costs around the future refinancing of this facility, based on current market conditions the Directors believe that Superdry has the appropriate plans, current assets and mitigations in place to maximise the prospects of a successful renewal in advance of the January 2023 expiry.

The reverse stress testing indicated that, after taking account of the mitigating actions and the material uncertainty highlighted in the going concern assessment above, the Group is able to operate within its funding facilities and covenants for the four-year assessment period.

Based on this assessment, the Directors have a reasonable expectation that the Group will have sufficient resources to continue in operation and meet its liabilities as they fall due over the period to April 2024. However, a sustained downturn as a result of the new strategy not turning the business around, and a failure to renew the ABL in January 2023, would threaten the viability of the business over this four year assessment period.

Group Statement of Comprehensive Income

	Note	**Underlying* 2020 £m**	**Exceptional and other items (note 6) £m**	**Total 2020 £m**	Restated** Underlying 2019 £m	Exceptional and other items (note 6) £m	Restated** Total 2019 £m
Revenue	5	**704.4**	**–**	**704.4**	871.7	–	871.7
Cost of sales		**(326.5)**	**–**	**(326.5)**	(391.3)	–	(391.3)
Gross profit		**377.9**	**–**	**377.9**	480.4	–	480.4
Selling, general and administrative expenses		**(412.1)**	**(127.0)**	**(539.1)**	(447.0)	(140.2)	(587.2)
Other gains and losses (net)		**9.1**	**1.9**	**11.0**	10.8	23.9	34.7
Impairment losses on trade receivables		**(9.2)**	**–**	**(9.2)**	–	–	–
Operating (loss)/profit	5	**(34.3)**	**(125.1)**	**(159.4)**	44.2	(116.3)	(72.1)
Finance income		**0.2**	**–**	**0.2**	0.3	–	0.3
Finance expense		**(7.7)**	**–**	**(7.7)**	(1.3)	–	(1.3)
Impairment losses on other financial assets		**–**	**–**	**–**	(1.5)	(8.5)	(10.0)
Share of loss of joint venture	14	**–**	**–**	**–**	(3.7)	(2.5)	(6.2)
(Loss)/profit before tax	5	**(41.8)**	**(125.1)**	**(166.9)**	38.0	(127.3)	(89.3)
Tax credit/(expense)	9	**6.1**	**17.4**	**23.5**	(11.5)	(0.9)	(12.4)
(Loss)/profit for the period		**(35.7)**	**(107.7)**	**(143.4)**	26.5	(128.2)	(101.7)
Attributable to:							
Owners of the Company		**(35.7)**	**(107.7)**	**(143.4)**	26.5	(128.2)	(101.7)
Other comprehensive expense net of tax:							
Items that may be subsequently reclassified to profit or loss							
Currency translation differences		**(2.5)**	**–**	**(2.5)**	(1.4)	–	(1.4)
Total comprehensive (expenses)/income for the period		**(38.2)**	**(107.7)**	**(145.9)**	25.1	(128.2)	(103.1)

Attributable to:							
Owners of the Company		**(38.2)**	**(107.7)**	**(145.9)**	25.1	(128.2)	(103.1)
		pence per share		**pence per share**	pence per share		pence per share
Earnings per share:							
Basic	10	**(43.5)**		**(174.9)**	32.4		(124.2)
Diluted	10	**(43.3)**		**(174.1)**	32.3		(123.9)

* Underlying is defined in note 23.
** The reported comparatives have been restated to reflect a prior year adjustment, see note 22

2020 is for the 52 weeks ended 25 April 2020 and 2019 is for the 52 weeks ended 27 April 2019.

Group Balance Sheets as at 25 April 2020

	Note	**25 April 2020 £m**	Restated* 27 April 2019** £m
ASSETS			
Non-current assets			
Property, plant and equipment	12	**41.7**	74.1
Right of use assets	17	**118.0**	–
Intangible assets	13	**48.4**	51.5
Investments in subsidiaries	14	**–**	–
Deferred tax assets		**53.5**	32.8
Derivative financial instruments	20	**0.1**	1.3
Total non-current assets		**261.5**	159.7
Current assets			
Inventories		**158.7**	186.9
Trade and other receivables		**91.6**	122.4
Derivative financial instruments	20	**2.5**	0.4
Assets classified as held for sale	12	**–**	2.4
Current tax receivables		**6.8**	0.3
Cash and bank balances**	19	**307.4**	49.5
Total current assets		**567.0**	361.9
LIABILITIES			
Current liabilities			
Borrowings**		**270.7**	13.6
Trade and other payables		**103.3**	127.3
Provisions for other liabilities and charges		**4.2**	18.1
Derivative financial instruments	20	**2.1**	1.4
Lease liabilities	17	**80.1**	–
Total current liabilities		**460.4**	160.4
Net current assets/(liabilities)		**106.6**	201.5
Non-current liabilities			
Trade and other payables		**2.2**	39.3
Provisions for other liabilities and charges		**10.8**	61.6
Deferred tax liabilities		**-**	0.8
Derivative financial instruments	20	**0.2**	2.0
Deferred liabilities		**1.4**	–
Lease liabilities	17	**240.8**	–
Total non-current liabilities		**255.4**	103.7
Net assets		**112.7**	257.5
EQUITY			
Share capital	21	**4.1**	4.1
Share premium		**149.1**	149.1
Translation reserve		**(5.5)**	(3.0)

Merger reserve	**(302.5)**	(302.5)
Retained earnings	**267.5**	409.8
Total equity	**112.7**	257.5

* The reported comparatives have been restated to reflect a prior year adjustment, see note 22.
** 2019 balances for cash and borrowings have been restated to reflect the grossing up of cash and overdraft balances subject to the group's cash pooling arrangements and to ensure the Group's presentation of these balances is in line with the requirements for offsetting in accordance with IAS 32. See note 22.

Group cash flow statement for the 52 weeks ending 27 April 2020

	Note	2020 £m	2019** £m
Cash generated from operating activities	18	**87.5**	54.6
Interest paid		**–**	(1.0)
Tax paid		**(2.2)**	(15.9)
Net cash generated from operating activities		**85.3**	37.7
Cash flow from investing activities			
Investments in subsidiaries	14	**–**	–
Investment in joint ventures	14	**–**	–
Long-term loan to joint venture	14	**–**	(5.0)
Purchase of property, plant and equipment		**(6.4)**	(15.7)
Purchase of intangible assets		**(7.5)**	(8.7)
Proceeds from disposal of assets held for sale		**2.4**	–
Net cash used in investing activities		**(11.5)**	(29.4)
Cash flow from financing activities			
Dividend payments	11	**(3.4)**	(46.0)
Proceeds of issue of share capital		**–**	0.1
Draw down of RCF**		**(30.0)**	(21.5)
Repayment of RCF**		**30.0**	21.5
Net interest paid*		**(7.5)**	–
Repayment of leases – principal amount	17	**(61.1)**	–
Net cash used in financing activities		**(72.0)**	(45.9)
Net increase/(decrease) in cash and cash equivalents	19	**1.8**	(37.6)
Net cash and cash equivalents at beginning of period	19	**35.9**	75.8
Exchange (losses)/gains on cash and cash equivalents		**(1.0)**	(2.3)
Net cash and cash equivalents at end of period		**36.7**	35.9

* The lines indicated are impacted by the application of IFRS 16 in the current year only. Refer to note 4 for further details.

** The 2019 figures have been represented to show the draw down and repayment of the RCF.

Statements of changes in equity for the 52 weeks ending 25 April 2020

Group	Note	Share capital £m	Share premium £m	Translation reserve £m	Merger reserve £m	Retained earnings* £m	Total equity £m
Balance at 28 April 2018		4.1	149.0	(1.6)	(302.5)	554.0	403.0
Comprehensive expense							
Loss for the period		–	–	–	–	(98.5)	(98.5)
Effect of prior year restatement (see Note 22)		–	–	–	–	(3.2)	(3.2)
Restated loss for the period		–	–	–	–	(101.7)	(101.7)
Other comprehensive expense							
Currency translation differences		–	–	(1.4)	–	–	(1.4)

Total other comprehensive expense		–	–	(1.4)	–	–	(1.4)
Restated total comprehensive expense for the period		–	–	(1.4)	–	(101.7)	(103.1)
Transactions with owners							
Employee share award schemes	7,8	–	–	–	–	3.5	3.5
Shares issued		–	0.1	–	–	–	0.1
Dividend payments	11	–	–	–	–	(46.0)	(46.0)
Total transactions with owners		–	0.1	–	–	(42.5)	(42.4)
Restated balance at 27 April 2019		4.1	149.1	(3.0)	(302.5)	409.8	257.5
Effect of change in accounting policy for initial application of IFRS 16 (see Note 4)		–	–	–	–	3.3	3.3
Restated balance at 27 April 2019		4.1	149.1	(3.0)	(302.5)	413.1	260.8
Comprehensive expense							
Loss for the period		–	–	–	–	(143.4)	(143.4)
Other comprehensive expense							
Currency translation differences		–	–	(2.5)	–	–	(2.5)
Total other comprehensive expense		–	–	(2.5)	–	–	(2.5)
Total comprehensive expense for the period		–	–	(2.5)	–	(143.4)	(145.9)
Transactions with owners							
Employee share award schemes	7,8	–	–	–	–	1.2	1.2
Dividend payments	11	–	–	–	–	(3.4)	(3.4)
Total transactions with owners		–	–	–	–	(2.2)	(2.2)
Balance at 25 April 2020		4.1	149.1	(5.5)	(302.5)	267.5	112.7

* The reported comparatives have been restated to reflect a prior year adjustment, see note 22.

Selected Notes to the Group Financial Statements

1. Basis of preparation

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs. The Group expects to publish full financial statements that comply with IFRSs in October 2020.

The financial information included in this preliminary announcement does not constitute the Group's statutory accounts for the years ended 25 April 2020 or 27 April 2019, but is derived from those accounts. Statutory accounts for financial year 2019 have been delivered to the registrar of companies, and those for financial year 2020 will be delivered in due course.

The financial information for the year ended 27 April 2019 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498(2) or (3) of the Companies Act 2006

The statutory financial statements for the year ended 25 April 2020 will be filed with the Registrar of Companies following the 2020 Annual General Meeting. The report of the auditor was unqualified and did not contain a statement under s498(2) or (3) of the Companies Act 2006, but did include a section highlighting a material uncertainty that may cast significant doubt on the Group and Company’s ability to continue as a going concern. Further detail is provided within the Assessment of the Group’s Prospects section of this announcement.

2. Significant accounting policies

The accounting policies adopted are consistent with those applied by the Group in the Annual Report for the year ended 27 April 2019 with the exception of the implementation of IFRS 16 as detailed in note 4.

For the reasons set out in within the Assessment of the Group's Prospects section of this announcement the Directors noted that the risks set out there indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as a going concern and therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

The material uncertainty relates to:
• the recovery in consumer demand, and the Group's ability to capture this during the AW20 reset season; and,
• the ability of the Group to meet the new covenants from debt providers

As detailed above management has considered the forecasts, sensitivities and mitigating actions available and having regard to the risks and uncertainties to which the Group is exposed (including the material uncertainty referred to above and in pages 38-39), the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, and operate within its borrowing facilities and covenants for a period of at least 12 months from the date of signing the financial statements, taking into account the working capital troughs in both FY21 and FY22. Accordingly, the financial statements continue to be prepared on the going concern basis.

3. Critical accounting estimates and judgements in applying accounting policies

The preparation of the financial statements requires judgements, estimates and assumptions to be made that affect the reported value of assets, liabilities, revenues and expenses. The nature of estimation and judgement means that actual outcomes could differ from expectation.

Critical accounting estimates and assumptions

Management consider that accounting estimates and assumptions made in relation to the following items have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

a) Store impairments

Retail store assets (as with other financial and non-financial assets) are subject to impairment based on whether current or future events and circumstances suggest that their recoverable amount may be less than their carrying value. Recoverable amount is based on the higher of the value in use and fair value less costs to dispose, although as all of the Group's retail owned stores are leasehold, only value in use has been considered in the impairment assessment. Value in use is calculated from expected future cash flows using suitable discount rates and including management assumptions and estimates of future performance. Store asset carrying values are inclusive of any right-of-use assets following the transition to IFRS16. An exceptional impairment charge of £136.8m (2019: £42.6m) was recognised in the period.

For impairment testing purposes, the Group has determined that each store is a CGU. Each CGU is tested for impairment if any indicators of impairment have been identified. Given the decline in store like-for-like sales in the year, all 241 owned stores have been tested for impairment in the current year.

The value in use of each CGU is calculated based on the Group's latest budget and forecast cash flows, covering a five-year period (the "**medium-term financial plan**"), which have regard for historic performance, knowledge of the current market and the impact of the Covid-19 pandemic, together with the Group's views on the achievable growth, all of which have been reviewed and approved by the Board. The cash flows are discounted using the appropriate discount rate. The medium-term financial plan is prepared on a 'top down' basis and has been attributed to individual stores based on their historic performance relative to the rest of the store estate. Cash flows beyond this five-year period as set out in the Plan are extrapolated using a long-term growth rates that approximate to country-specific rates. The cash flows are modelled for each store through to their lease expiry date. No lease extensions have been assumed in the modelling, unless they were committed at the balance sheet date.

Management estimates discount rates using pre tax rates that reflect the current market assessment of the time value of money and the risks specific to the CGUs. The discount rates are derived from the Group's post-tax WACC and range from 9.2% to 11.9% (FY19: 9.2% to 15.5%).

The key estimates for the value in use calculations are those regarding discount rates and expected changes to future cash flows used in the value in use calculation. The key assumptions used in determining store cash flows are the growth rates in both sales and gross profit margins as set out in the medium-term financial plan. The medium-term financial plan reflects the impact of the Covid-19 pandemic and the proposed Brand reset. Further significant costs (or credits) may be recorded in future years dependent on the longer term impact of Covid-19 and the success of the Brand reset.

During the year, the Group has recognised an exceptional impairment charge of £15.5m relating to property, plant and equipment, an exceptional impairment charge of £121.2m relating to right-of-use assets and an exceptional impairment charge of £0.1m relating to intangible assets. These impairment charges have been recognised as part of exceptional items within selling, general and administrative expenses. The carrying value of property, plant and equipment, right-of-use assets and intangible assets after the impairment assessment was £208.1m.

The Group has carried out a sensitivity analysis on the impairment tests for its owned store portfolio on an aggregated basis for property, plant and equipment (note 12), right of use assets (note 17) and intangibles (note 13), using various reasonably possible scenarios based on recent market movements including discount rates and a change to the sales and margin assumptions in the medium-term financial plan:

- An increase of 200bps in the gross margin rate for each territory would decrease impairment by £8.4m
- A decrease of 200bps in the gross margin rate for each territory would increase impairment by £8.6m
- An increase of 3% in the discount rate for each territory would increase impairment by £5.6m
- A decrease of 3% in the discount rate for each territory would decrease impairment by £6.3m
- An increase of 5% in year 1 sales growth for each territory would decrease impairment by £8.8m
- A decrease of 5% in year 1 sales growth for each territory would increase impairment by £8.9m

In addition, the Group has considered a range of reasonably possible outcomes within the Plan period. The scenario modelled is consistent with the sensitivities applied for the Group's viability assessment. This would increase the impairment charge by £39.0m.

During FY20 an impairment of land of £0.4m and an impairment of a lease premium of £1.9m were recorded within underlying expenses. These impairments did not result from the store impairment review.

b) Onerous property related contracts provisions

Management has also assessed whether impaired and unprofitable stores require an onerous provision for the property related contracts. An onerous property related contracts provision is recognised when the Group believes that the unavoidable costs of meeting or exiting the property related obligations exceed the benefits expected to be received under the lease. The property related contracts relates primarily to service charges. Onerous property related contracts provisions are no longer recognised on fixed rental expenses, following the transition to IFRS 16.

The calculation of the net present value of future cash flows is based on the same assumptions for growth rates and expected changes to future cash flows as set out above, discounted at the appropriate risk adjusted rate. The costs of exiting property related contracts as set out in the lease agreement, either at the end of the lease or the lease break date (whichever is shorter), have been considered in the calculation.

Based on the factors set out above, the Group has reassessed the onerous property related contract provision for the year of £12.4m (2019: £86.9m) following the transition to IFRS 16. This value is after a £12.0m release to the Group statement of comprehensive income following the reassessment of the provision. The onerous property related contracts provision credit has been recognised within exceptional items within selling, general and administrative expenses. Further significant costs (or credits) may be recorded in future years dependent on the longer term impact of Covid-19 and the success of the Brand reset.

The Group has performed sensitivity analysis on the onerous property related contract provisions using reasonably possible scenarios based on recent market movements, consistent with those sensitivities disclosed above in the 'store impairment' section:

- An increase of 200bps in the margin rate for each territory would decrease the onerous property related contracts charge by £0.3m
- A decrease of 200bps in the margin rate for each territory would increase the onerous property related contracts charge by £0.4m
- An increase of 3% in the risk free rate for each territory would decrease the onerous property related contracts charge by £0.7m
- A decrease of 3% in the risk free rate for each territory would increase the onerous property related contracts charge by £0.8m
- An increase of 5% in year 1 sales growth for each territory would decrease the onerous property related contracts charge by £0.3m
- A decrease of 5% in year 1 sales growth for each territory would increase the onerous property related contracts charge by £0.4m

The downside scenario modelled in the viability assessment), would decrease the onerous property related contracts credit by £9.7m.

c) Recoverability of trade debtors

The impairment of trade and other receivables is based on management's estimate of the ECL. These are calculated using the Group's historical credit loss experience, with adjustments for general economic conditions and an assessment of conditions at the reporting date. Part of the adjustments for general economic conditions at 25 April 2020 includes consideration of the impact that the Covid-19 pandemic has had on customers' ability to repay invoices when they fall due. Management has estimated country-specific ECL percentages derived using externally generated economic data. These estimates have been applied to the lower risk trade receivables (those under 30 days overdue or under £30k), as well as being compared to the credit loss calculated on specific higher risk trade receivables (those over 30 days overdue and over £30k). See note 20 for further details.

The Group has carried out sensitivity analysis using various reasonably possible scenarios based on recent market movements.

- An increase of 15% in the estimated country-specific expected credit loss percentage would increase the ECL by £1.0m
- An increase of 20% in the estimated country-specific expected credit loss percentage would increase the ECL by £1.3m
- An increase of 25% in the estimated country-specific expected credit loss percentage would increase the ECL by £1.6m
- A decrease of 15% in the estimated country-specific expected credit loss percentage would decrease the ECL by £1.0m
- A decrease of 20% in the estimated country-specific expected credit loss percentage would decrease the ECL by £1.3m

- A decrease of 25% in the estimated country-specific expected credit loss percentage would decrease the ECL by £1.6m

d) Inventory provision

Inventories are valued at the lower of cost or net realisable value. Provisions are calculated for the obsolescence of inventory based on its age by season, at rates determined through historical observations on subsequent saleability and recoverability of aged inventory.

In light of the current Covid-19 pandemic, management have reviewed the existing inventory provision policy to determine whether there is any additional risk to the net realisable value of stock as at 25 April 2020. The temporary closure of owned stores and wholesale customer's operations meant that there were higher than budgeted levels of stock remaining at the balance sheet date, so it was concluded that a one-off adjustment is required in respect of this excess stock. This provision percentage was calculated by considering excess stock held and then applying a percentage based on a number of factors such as age of stock, forward orders and ability to sell this stock. The additional obsolescence provision resulting from this estimate is £6.1m.

The Group has carried out sensitivity analysis using various reasonably possible scenarios based on factors mentioned above.

- An increase of 10% in the estimate percentage applied would increase the inventory provision by £2m
- A decrease of 10% in the estimate percentage applied would decrease the inventory provision by £2m
- An increase of 10% in the excess stock units would increase the inventory provision by £0.6m
- A decrease of 10% in the excess stock units would increase the inventory provision by £0.6m

e) IFRS 16 Accounting

Break and extension options

The lease term over which the applicable lease payments are discounted to calculate both the right of use asset and lease liability is set as the non-cancellable period of a lease, together with:

- periods covered by an option to extend the lease where it is reasonably certain that this will be exercised; and
- periods covered by an option to break the lease where it is reasonably certain that this will not be exercised.

Except for certain specific leases where there is a reasonable possibility of the break option being exercised, the Group has determined that the exercise of break options is not reasonably certain and therefore have determined the lease term as being until the lease end date.

The Group has carried out a sensitivity analysis on the effect of this estimate. Continuing the lease term to the end of the lease, rather than exercising an option to break the lease, has the effect of grossing up the transitional right of use asset and lease liability by £50.0m.

Discount rates

The interest rate implicit in all leases is considered to be readily determinable and therefore the incremental borrowing rate has been used to calculate lease liabilities. The incremental borrowing rate has been calculated at a territory level with reference to the risk-free rate for that territory and a Group-specific credit risk adjustment, both of which require the use of estimates. A 0.5% increase in the incremental borrowing rate for each lease would result in a grossing up of the transitional right of use asset and lease liability by £5.0m.

Critical judgements in applying the Group's accounting policies

Management consider that judgements made in the process of applying the Group's accounting policies that could have a significant effect on the amounts recognised in the Group financial statements are as follows:

a) Attributing Ecommerce sales and costs to stores

Judgement is required as to whether Ecommerce sales (and associated costs) could be attributed to stores for the purposes of impairment testing when calculating the value in use of each store CGU. While management believes that a proportion of Ecommerce sales could be attributed to stores, the basis of such attribution was difficult to determine, due to insufficient evidence to reliably estimate and the introduction of fulfil from store. For this reason, sales directly attributable to Ecommerce has not been calculated but the same judgement applies.

b) Exceptional and other items

Judgements are required as to whether items are disclosed as exceptional and other items, with consideration given to both quantitative and qualitative factors. Further information about the determination of exceptional and other items in financial year 2020 is included in note 23.

c) Going concern

After considering the forecasts, sensitivities and mitigating actions available to management and having regard to the risks and uncertainties to which the Group is exposed, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, and operate within its borrowing facilities and covenants for a period of at least 12 months from the date of signing the financial statements, taking into account the working capital troughs in both FY21 and FY22. Accordingly, the financial statements continue to be prepared on the going concern basis with the highlighted material uncertainty.

4. New accounting pronouncements

a) IFRS 16

IFRS 16 became effective for periods starting on or after
1 January 2019 and replaces the standard IAS 17 Leases and related interpretations. The Group adopted IFRS 16 with effect from 28 April 2019 using the modified retrospective 2B transition approach. Therefore, under the specific transitional provisions in the standard, the 52 weeks ended 27 April 2019 has not been restated and continues to be shown under IAS 17 with the cumulative adjustment shown in current year reserves. IFRS 16 requires entities to apply a single lease accounting model, with lessees recognising right of use assets and lease liabilities on the balance sheet for all applicable leases except for certain short-term and low value leases. The Group's leased portfolio comprises various store and head office properties and motor vehicles.

i) Approach used

IFRS 16 Leases outlines how to recognise, measure, present and disclose leases. The Group has elected to use the transition approach set out in IFRS 16.C8(b)(ii). As a result, lease liabilities were measured at transition at the present value of the remaining lease payments discounted at the incremental borrowing rate of each lease as at the date of initial application. The right of use assets are measured at transition at an amount equal to the lease liability, adjusted for prepaid and accrued lease payments recognised in the Group balance sheet immediately before the date of initial application.

ii) Practical expedients and exemptions

On transition to IFRS 16, the Group elected to apply the following practical expedients on a lease by lease basis:

- accounting for leases with a lease term ending within 12 months of the date of initial application in the same way as short-term leases, and including the cost of such leases in the disclosure of the short-term lease expense;
- applying a single discount rate to a portfolio of leases with reasonably similar characteristics is reasonably certain that this will be exercised; and
- the exclusion of initial direct costs for the measurement of the right of use asset at the date of initial application;
- using the assessment of whether a lease is onerous under IAS 37 Provisions, Contingent Liabilities and Contingent Assets as the basis of the impairment on transition of right of use assets, rather than performing an impairment review under IAS 36 Impairment of Assets; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

Determining whether an Arrangement contains a Lease.

iii) Accounting policy

Initial recognition – Lease liabilities

At transition, lease liabilities are measured at the present value of the remaining lease payments, which are then discounted at the Group's incremental borrowing rate. Lease payments included within this comprise the following:

- fixed lease payments (including in substance fixed payments), less any capital contributions and lease incentives receivable;
- variable lease payments that depend on an index or rate; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Any lease payments that relate to turnover rent or service charges are excluded from the scope of IFRS 16. These will therefore continue to be recognised selling, general and administrative expenses in the condensed Group statement of comprehensive income.

Other considerations

Variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability and are initially measured using the amount at the commencement date. When these variable amounts become known, these subsequent amounts not included in the liability will be recognised in the profit or loss in the period in which the event or condition that triggers payment occurs.

Extension and termination options are included in a number of property leases across the Group. The Group has assessed commercial factors to determine the lease term for some lease contracts in which it is a lessee that include renewal options and break clauses. The Group has reviewed whether it is reasonably certain to exercise such options; the impact of this decision will affect the amount of the lease liability and in turn the associated right of use asset.

Initial recognition – Right of use assets

The right of use assets are then formed based on the initial measurement of the corresponding liability, which is then adjusted for the following:

- any lease payments made before the commencement of the lease (including lease premiums);
- any initial direct costs;
- any restoration costs; and
- any residual lease incentives balances previously recognised.

On transition to IFRS 16, this right of use asset has then been assessed for impairment. As identified above, a practical expedient has been taken over this point, by relying on a previous assessment of whether a lease is onerous under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Subsequent measurement of lease liabilities and right of use assets

The lease liability unwinds over the lease term, increasing the carrying amount to reflect interest on the lease liability (calculated using the effective interest method) and reducing the carrying amount to reflect the lease payments made. The right of use assets are measured at cost less accumulated depreciation and impairment losses.

Except for certain specific leases where there is a reasonable possibility of the break option being exercised, the Group has determined that lease term runs until the lease end date. This is because of the requirement under IFRS 16 to be reasonably certain that options to break the lease will be taken. This differs to the assumption taken in relation to the operating lease commitments note therefore there has been an alignment of lease dates. Similarly, there has been an alignment of rent where the specific requirements under IFRS 16 have resulted in a different annual rental charge to the operating lease commitments note.

iV) Impact of IFRS 16 on the financial statements

Condensed Group balance sheet

	April 2019 Pre-IFRS 16 £m	IFRS 16 Impact £m	April 2019 Post-IFRS 16 £m
Non-current assets	159.7	287.8	447.5
Current assets	361.9	(5.4)	356.5
Total assets	**521.6**	**282.4**	**804.0**
Other liabilities	(137.6)	(372.1)	(509.7)
Onerous property related contracts provision	(78.5)	48.4	(30.1)
Lease incentives	(47.2)	45.7	(1.5)
Fair value market rent liability	(0.8)	0.8	–
Deferred liability	–	(1.9)	(1.9)
Total liabilities	**(264.1)**	**(279.1)**	**(543.2)**
Net assets	**257.5**	**(3.3)**	**260.8**
Total equity	**257.7**	**(3.3)**	**260.8**

The below shows the reconciliation between the 27 April 2019 operating lease note commitment and the lease liability recognised as at 28 April 2019:

		£m
Operating lease commitment note as at 27 April 2019		**424.4**
Exclude:	Service charge and turnover rent element	(64.1)
	Practical expedients taken	(4.6)
Adjust:	Impact of discounting	(19.5)
	Alignment of lease dates	27.1
	Alignment of annual rent	11.6
	Other differences	(2.8)
Lease liability per IFRS 16 on transition		**372.1**

Condensed Group statement of comprehensive income

Pre-IFRS 16 items:	£m
Operating lease rental expense	77.2
Onerous property related contracts utilisation	(11.0)
Amortisation of lease incentives	(7.5)
Amortisation of fair value market rent liabilities	(0.5)
IFRS 16 items:	
Depreciation of right of use assets and deferred liability	(54.7)
Interest expense on lease liabilities	(5.7)
Deferred liability release	0.4
Loss before tax from IFRS 16	**(1.8)**

Statement of changes in equity

The Group has implemented the modified 2B transition approach. Due to the restriction of the onerous property related contracts provision used as impairment an amount of £0.5m has been taken against retained earnings. This was restricted as the onerous property related contracts provision was used as a proxy for impairment and had to be capped in some instances to avoid creating a negative asset.

Additionally, in line with IFRS 3 (Business Combinations) a fair value market rent liability was previously recognised to align US market value with rental payments, which was being released over the life of the lease. However, following the implementation of IFRS 16, where possible this was required to be deducted from the right of use asset. Due to the restriction of this amount (where the right of use asset was otherwise taken to nil), £0.6m was taken to retained earnings.

The above instances outlined above give a total retained earnings increase of £1.1m. Deferred tax on the transition to IFRS 16 totals £2.2m and therefore the total amount taken to retained earnings on transition to IFRS 16 was £3.3m.

Cash flow

The only impact on the cash flow is the re-categorisation of some items on the face of the condensed Group cash flow statement. These include: repayment of principal and interest lease liability amounts and depreciation of right of use asset.

Following the introduction of IFRS 16, there has been a change in accounting policy to reflect interest paid within financing activities whereas in the prior year this was disclosed in operating activities.

Lessor accounting

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right of use asset arising from the head lease, not with reference to the underlying asset. The original lease liability continues to be recognised in accordance with the accounting model and the Group will recognise a net investment in the sublease and evaluate this for impairment. The net investment in the sub-lease is £0.4m.

b) Other new standards

Other new standards and interpretations in issue and effective, which are not expected to have a material impact on the Group are:

- Annual improvements to IFRS: 2015 – 2017 cycle.
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

5. Segment information

Revenue is generated from the same products (clothing and accessories) in all segments, the reporting of segments is based on how these sales are generated. The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central administration costs including directors' salaries, non-operating gains and losses in respect of financial instruments and finance costs, and income tax expense. This is the measure reported to the Group's Chief Executive for the purpose of resource allocation and assessment of segment performance.

The Group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time.

Segmental information for the business segments of the Group for financial years 2020 and 2019 is set out below:

	Retail 2020 £m	Wholesale 2020 £m	Central costs 2020 £m	Group 2020 £m
Total segment revenue	438.8	510.9	–	949.7
Less: inter-segment revenue	–	(245.3)	–	(245.3)
Revenue from external customers	438.8	265.6	–	704.4
(Loss)/profit before tax	(125.1)	32.1	(73.9)	(166.9)

The following additional information is considered useful to the reader:

	Underlying* 2020 £m	Exceptional and other items £m	Reported 2020 £m
Revenue			
Retail	438.8	–	438.8
Wholesale	265.6	–	265.6
Total revenue	704.4	–	704.4
Operating (loss)/profit			
Retail	5.3	(124.8)	(119.5)
Wholesale	31.4	0.7	32.1
Central costs	(71.0)	(1.0)	(72.0)
Total operating (loss)/profit	(34.3)	(125.1)	(159.4)
Net finance expense – Central costs	(1.9)	–	(1.9)

Net finance expense – Retail costs	**(5.6)**	**–**	**(5.6)**
Impairment losses on financial assets – Wholesale and Central costs	**–**	**–**	**–**
Share of loss of investment – Central costs	**–**	**–**	**–**
(Loss)/profit before tax			
Retail	**(0.3)**	**(124.8)**	**(125.1)**
Wholesale	**31.4**	**0.7**	**32.1**
Central costs	**(72.9)**	**(1.0)**	**(73.9)**
Total (loss)/profit before tax	**(41.8)**	**(125.1)**	**(166.9)**

* Underlying is defined as reported results before exceptional items and other items, and is further explained in note 23.

The impairment losses on store assets net of the onerous property related contracts release amounts to £124.8m and all relates to the retail segment.

	Retail 2019* £m	Wholesale 2019* £m	Central costs 2019* £m	Group 2019* £m
Total segment revenue	539.5	637.3	–	1,176.8
Less: inter-segment revenue	(2.8)	(302.3)	–	(305.1)
Revenue from external customers	536.7	335.0	–	871.7
(Loss)/profit before tax	(89.3)	98.8	(98.8)	(89.3)

* The reported comparatives have been restated to reflect a prior year adjustment, see note 22.

The following additional information is considered useful to the reader:

	Underlying* 2019** £m	Exceptional and other items £m	Reported 2019** £m
Revenue			
Retail	536.7	–	536.7
Wholesale	335.0	–	335.0
Total revenue	871.7	–	871.7
Operating (loss)/profit			
Retail	25.5	(114.8)	(89.3)
Wholesale	93.3	7.0	100.3
Central costs	(74.6)	(8.5)	(83.1)
Total operating (loss)/profit	44.2	(116.3)	(72.1)
Net finance income – Central costs	(1.0)	–	(1.0)
Impairment losses on financial assets – Wholesale and Central costs	(1.5)	(8.5)	(10.0)
Share of loss of investment – Central costs	(3.7)	(2.5)	(6.2)
(Loss)/profit before tax			
Retail	25.5	(114.8)	(89.3)
Wholesale	91.8	7.0	98.8
Central costs	(79.3)	(19.5)	(98.8)
Total (loss)/profit before tax	38.0	(127.3)	(89.3)

* Underlying is defined as reported results before exceptional items and other items, and is further explained in note 23.
** The reported comparatives have been restated to reflect a prior year adjustment, see note 22.

The Group has subsidiaries which are incorporated and resident in the UK and overseas.

Revenue from external customers in the UK and the total revenue from external customers from other countries are:

	2020 £m	2019* £m
External revenue – UK	**254.4**	310.4
External revenue – Europe	**361.7**	443.6
External revenue – Rest of world	**88.3**	117.7
Total external revenue	**704.4**	871.7

* Prior year has been represented to reflect the change in the internal reporting of these figures.

Included within external revenue overseas is revenue of £176.3m (2019: £226.7m) generated by overseas subsidiaries.

The total of non-current assets, other than deferred tax assets, located in the UK is £84.5m (2019: £56.1m), and the total of non-current assets located in other countries is £123.6m (2019: £70.8m).

6. Exceptional and other items

Non-underlying adjustments constitute exceptional and other items. Further information about the determination of exceptional and other items in financial year 2020 is included in note 23. They are disclosed separately in the Group statement of comprehensive income.

	2020 £m	2019 £m
Exceptional and other items		
Unrealised gain/(loss) on financial derivatives	**1.9**	23.9
Store asset impairment and onerous property related contracts provision	**(124.8)**	(129.5)
Restructuring, strategic change and other costs	**(1.9)**	(8.1)
IFRS 2 charge on Founder Share Plan (note 8)	**(0.3)**	(2.6)
Total exceptional and other items in operating (loss)/profit	**(125.1)**	(116.3)
Impairment losses on financial assets	**–**	(8.5)
Share of joint venture exceptional costs	**–**	(2.5)
Total exceptional and other items	**(125.1)**	(127.3)
Taxation		
Tax impact of non-underlying adjustments (note 9)	**0.1**	1.7
Deferred tax – exceptional (note 9)	**17.3**	(2.6)
Total taxation	**17.4**	(0.9)
Total exceptional and other items	**(107.7)**	(128.2)

Exceptional and other items before tax in the period totalled a charge of £125.1m in the year (2019: £127.3m charge).

During the prior year, a comprehensive review was performed across the owned store portfolio to identify any stores which were either unprofitable, or where the anticipated future performance would not support the carrying value of assets. This resulted in a non-cash impairment and onerous property related contracts provision in the year of £129.5m, affecting around 100 stores.

A subsequent review was performed in the current year, as a consequence of the downgraded forecast in the medium-term plan as driven by Covid-19. This subsequent review identified additional stores which were either unprofitable, at risk of becoming unprofitable over time, or where anticipated future performance would not support the carrying value of assets. The overall costs charged to the Group statement of Comprehensive Income of non-cash exceptional impairment in the year were £136.8m, affecting around 177 stores. In addition, a reassessment of the onerous property related contracts provision in the year resulted in a release of £12.0m, affecting around 35 stores. The onerous property related contracts provision are no longer recognised on rental expenses, following the transition to IFRS 16. A significant level of estimation has been used to determine the charges to be recognised, for which further disclosure and sensitivities can be found in note 3. There were no releases of impairment provisions against specific stores in the year (2019: £nil).

The 2019 Group Annual Report FY19 included exceptional items in relation to a cost-saving restructuring programme, and the strategic change with Julian Dunkerton re-joining the business on 2 April 2019. The same restructuring programme and strategic change has also seen an additional £0.4m of cost in the current year. The Directors consider these to be “exceptional and other” costs due to their nature and they are a true up of costs classified as exceptional in the prior year. These are not considered to be a reflection of the trading performance in the period.

During the current year, the Board and management reviewed the long-term business plan for the Trendy & Superdry Holding Limited joint venture. Following discussions with the joint venture partner, and taking into account the current challenging retail environment due to Covid-19, both parties agreed to end the relationship. Costs for the wind-up of the business totalling £1.5m have been accrued for; these are considered to be exceptional based on the one-off nature of this decision. See note 25 for further details.

Other items in the year include a £1.9m credit in respect of the fair value movement in financial derivatives (2019: £23.9m credit) which has been driven primarily by the devaluation of Sterling against the Euro and US Dollar, and its impact on forward currency contracts, selling Euro for Sterling or buying US Dollar with Sterling (see note 20 for further details). The IFRS 2 charge of £0.3m (2019: £2.6m) in respect of the Founder Share Plan is also included within other items (see note 8 for further details).

There is a deferred tax charge on derivative trades of £0.4m (2019: £4.6m charge) and a deferred tax credit of £17.7m (2019: £11.5m credit) in respect of temporary timing differences on the store impairment and onerous property related contracts provision charge and IFRS 16. There is also a current tax credit of £0.1m relating to store impairment and onerous property related contracts provision. 2019 exceptionals included a deferred tax exceptional charge of £7.5m resulting from changes to the forecast of the future profitability of the US business, resulting in the de-recognition of deferred tax on losses. No similar expense has been recognised in 2020.

7. Share based Long-Term Incentive Plans (“LTIP”)

Equity settled awards are granted to employees in the form of share awards. No consideration is payable by the employees when share awards vest, other than the nominal value of 5p per share.
The vesting period is three years. Share awards will also expire if the employee leaves the Group prior to the exercise or vesting date subject to the discretionary powers of the Remuneration Committee.

Performance Share Plan
The award of shares is made under the Superdry Performance Share Plan (***"PSP"***). Shares have no value to the participant at the grant date, but subject to the satisfaction of diluted earnings per share and total shareholder return performance targets can convert and give participants the right to be granted nil-cost shares (other than the nominal value of 5p per share) at the end of the performance period.

The movement in the number of share awards outstanding is as follows:

	2020 Number of shares	**2020 Weighted average exercise price**	2019 Number of shares	2019 Weighted average exercise price
At start of the period	**684,868**	**–**	950,566	–
Granted	**1,026,040**	**4.05**	461,225	12.39
Exercised	**–**	**–**	(321,762)	14.58
Forfeited	**(176,041)**	**13.51**	(405,161)	13.88
Cancelled	**(169,177)**	**15.82**	–	–
Total number of outstanding share awards at end of the period	**1,365,690**	**–**	684,868	–

None of the share awards were exercisable at the period end date (2019: nil).

Performance Share Plan
The terms and conditions of the award of shares granted under the PSP during the year are as follows:

Grant date	Type of award	Number of shares	Vesting period
September 2019	Share awards	1,026,040	3 years

	Group and Company	
	2020	**2019**
	£	**£**
Opening weighted average exercise price	**14.06**	10.03
Closing weighted average exercise price	**6.39**	14.06

The fair value of the shares awarded at the grant date during the year is £2.9m (2019: £4.7m). The fair value of the award is determined using a Black–Scholes pricing model. A charge of £0.5m (2019: charge of £0.5m) has been recorded in the Group statement of comprehensive income during the year.

No share options were exercised during the period. The options outstanding at 25 April 2020 had a weighted average remaining contractual life of 15 months; these shares have an exercise price of 5p.

The inputs into the Black–Scholes pricing model are as follows: expected volatility of 51.8%; expected term of three years; risk free rate of 0.42%; and an expected dividend yield of nil. Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 2.59 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Save As You Earn
A Save As You Earn scheme is operated by the Group. No charge has been recorded in the Group statement of comprehensive income during the year (2019: credit of £0.1m).

Buy As You Earn
A Buy As You Earn scheme is operated by the Group which commenced in August 2016. In the year 15,540 shares (2019: 10,392 shares) have been purchased under the scheme. The charge to the Group statement of comprehensive income is highly immaterial and therefore has not been accounted for.

Other schemes

Share options were issued in the year as part of recruitment packages for certain members of senior management. These options are subject to leavers' provisions and the exercise period is up to two years. The charge to the Group statement of comprehensive income in financial year 2020 for these awards is £0.4m (2019: £0.5m).

8. Founder Share Plan

On 12 September 2017, the Founders of Superdry ("the Founders"), Julian Dunkerton and James Holder, announced the launch of a long-term incentive scheme, the Founder Share Plan (***"FSP"***) under which they will share their wealth with employees of the Group.

The FSP will run from 1 October 2017 to 30 September 2020. At the conclusion of the scheme, the Founders will transfer into a fund 20% of their gain from any increase in the Group's share price over a threshold of £18.

The gain to be transferred into the fund will be calculated using the market value of the shares calculated as the average price of a Superdry Plc share over the 20 dealing days prior to the maturity date (30 September 2020).

The proceeds from this fund will be shared across the Superdry colleague base worldwide, including those who work part-time. Each £5 increase in the share price over the £18 threshold would see the Founders putting £30m into the fund.

Awards will be made to employees in shares or an equivalent cash award if considered more appropriate. The vesting period for the awards differs depending on the seniority of the colleagues in question. To be eligible for the award, employees need to remain in employment on the vesting date, details of which are as follows:

Share settled element – Senior management

- 50% – 31 January 2021
- 50% – 31 January 2022

Cash and share settled elements – All other colleagues

- 50% – 31 January 2021
- 50% – 31 July 2021

The award will be settled in full by the Founders with no cost to the Group and hence in accordance with IFRS 2 has been accounted for as an equity settled share based payment scheme. The fair value of the award is determined using a Monte Carlo pricing model.

The share based payment charge associated with the FSP will accrue over five financial periods, up until financial year 2022.

A charge of £0.3m (2019: £2.6m) has been recorded in the Group statement of comprehensive income during the year. The total fair value of the entire outstanding share awards (not including any future share award issues), taking into consideration management's estimate of the share awards meeting the vesting conditions and achieving the performance targets, is £2.0m (2019: £6.2m).

The number of share awards granted in the period is nil. The number still in issue as at 25 April 2020 is 3,291,458. The weighted average remaining contractual life of the outstanding options as at 25 April 2020 is 3 months; these options have a nil exercise price.

9. Tax expense

The tax expense comprises:

	2020 **£m**	2019* £m
Current tax		
– UK corporation tax charge for the period	**–**	6.8
– Adjustment in respect of prior periods	**(6.1)**	(2.0)
– Overseas tax	**1.8**	3.5
Exceptional tax (credit)/expense	**(0.1)**	(1.7)
Total current tax (credit)/expense	**(4.4)**	6.6
Deferred tax		
– Origination and reversal of temporary differences	**(1.0)**	9.5
– Deferred tax asset movements in respect of tax losses	**(5.8)**	(5.8)
– Adjustment in respect of prior periods	**5.0**	(0.5)
Exceptional tax (credit)/expense	**(17.3)**	2.6
Total deferred tax (credit)/expense	**(19.1)**	5.8
Total tax (credit)/expense	**(23.5)**	12.4

* The reported comparatives have been restated to reflect a prior year adjustment, see note 22.

The tax credit on underlying loss is £6.1m (2019: £11.5m charge). The net tax credit on exceptional and other items totals £17.4m (2019: £0.9m tax charge). An exceptional tax credit of £16.7m (2019:£nil) arises as a result of impairments to the right of use asset values and a £1.5m (2019:£11.1m) exceptional tax credit as a result of impairments to property, plant and equipment, at the balance sheet date. An

exceptional tax charge of £0.8m (2019:£12.0m) arises in connection with movements on the derivative contracts and an updated onerous lease review.

Factors affecting the tax expense for the period are as follows:

	2020 £m	2019* £m
(Loss)/profit before tax	**(166.9)**	(89.3)
(Loss)/profit multiplied by the standard rate in the UK – 19.0% (2019: 19.0%)	**(31.7)**	(16.9)
Non-deductible joint venture loss	**–**	0.9
Permanent differences	**1.2**	1.9
Overseas tax differentials	**(10.9)**	(9.1)
Deferred tax not recognised	**19.6**	36.8
Difference in UK deferred tax to corporation tax rate	**(0.6)**	0.5
Adjustment in respect of prior periods	**(1.1)**	(1.7)
Total tax (credit)/expense excluding exceptional items	**(23.5)**	12.4

2019 balances have been reallocated between categories to be consistent with FY20 presentation.

* The reported comparatives have been restated to reflect a prior year adjustment, see note 22

The Group's tax credit on underlying losses of £6.1m represents an effective tax rate of 14.6% and the Group's tax credit on exceptional losses of £17.4m represents an effective tax rate of 13.9%. Taken together the Group's tax credit of £23.5m represents a total effective tax rate of 14.1% for the period ended 25 April 2020. The Group's total effective tax rate of 14.1% is lower than the statutory rate of tax of 19%.

This is primarily due to the level of overseas losses to which no tax benefit has been recognised, China exit costs which are non-deductible for tax purposes, the level of lease liabilities on the balance sheet to which no tax benefit has been recognised together with depreciation and amortisation on non-qualifying assets.

Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. This was enacted on 17 March 2020 and therefore applies at the balance sheet date. Deferred tax balances relating to the UK as at 25 April 2020 have been measured at a rate of 19% resulting in a rate changes impact of £0.6m credit.

10. Earnings per share

	2020 £m	2019* £m
Earnings		
Loss for the period attributable to owners of the Company	**(143.4)**	(101.7)
	No.	No.
Number of shares at year-end	**82,010,788**	81,995,248
Weighted average number of ordinary shares – basic	**82,001,955**	81,870,875
Effect of dilutive options and contingent shares	**387,495**	197,784
Weighted average number of ordinary shares – diluted	**82,389,450**	82,068,659
Basic earnings per share (pence)	**(174.9)**	(124.2)
Diluted earnings per share (pence)	**(174.1)**	(123.9)

Underlying earnings per share

	2020 £m	Restated 2019 £m
Earnings		
Underlying (loss)/profit for the period attributable to the owners of the Company	**(35.7)**	26.5
	No.	No.
Weighted average number of ordinary shares – basic	**82,001,955**	81,870,875
Weighted average number of ordinary shares – diluted	**82,389,450**	82,068,659
Underlying basic earnings per share (pence)	**(43.5)**	32.4
Underlying diluted earnings per share (pence)	**(43.3)**	32.3

* The reported comparatives have been restated to reflect a prior year adjustment, see note 22

There were no share-related events after the balance sheet date that may affect earnings per share.

11. Dividends

	2020 **£m**	2019 £m
Equity – ordinary shares		
Interim for the 52 weeks to 25 April 2020 – paid 2.0p per share (2019: 9.3p)	**1.6**	7.6
Final dividend for the 52 weeks to 27 April 2019 – paid 2.2p per share (2019: 21.9p)	**1.8**	17.9
Special dividend – nil (2019: 25.0p per share)	**–**	20.5
Total dividends paid	**3.4**	46.0

In light of the current situation outlined in the Chief Financial Officer's Review, the Board has made the decision not to recommend paying a final dividend in relation to the financial period ended
25 April 2020.

12. Property, plant and equipment

Movements in the carrying amount of property, plant and equipment were as follows:

	Land and buildings **£m**	**Leasehold improvements** **£m**	**Furniture, fixtures and fittings** **£m**	**Computer equipment** **£m**	**Total** **£m**
52 weeks ended 25 April 2020					
Cost					
At 28 April 2019	**5.3**	**212.5**	**63.6**	**27.8**	**309.2**
Exchange differences	**–**	**2.2**	**0.5**	**0.2**	**2.9**
Additions	**–**	**1.6**	**2.7**	**2.2**	**6.5**
Disposals	**–**	**(2.8)**	**(0.4)**	**(0.1)**	**(3.3)**
At 25 April 2020	**5.3**	**213.5**	**66.4**	**30.1**	**315.3**
Accumulated depreciation and impairments					
At 28 April 2019	**0.5**	**164.7**	**46.3**	**23.6**	**235.1**
Exchange differences	**–**	**1.6**	**0.4**	**0.2**	**2.2**
Depreciation charge	**0.1**	**13.3**	**6.7**	**3.4**	**23.5**
Impairments	**0.4**	**13.1**	**2.2**	**0.2**	**15.9**
Disposals	**–**	**(2.6)**	**(0.4)**	**(0.1)**	**(3.1)**
At 25 April 2020	**1.0**	**190.1**	**55.2**	**27.3**	**273.6**
Net balance sheet amount at 25 April 2020	**4.3**	**23.4**	**11.2**	**2.9**	**41.7**

Of the above impairment of £15.9m, £15.5m constitutes part of the total impairment of £136.8m in FY20 (2019: £42.6m) and relates to an impairment review performed on retail store assets, for further details on this please see note 3. This impairment has been included within exceptional expenses in the year. The remaining £0.4m relates to impairment of land during the year as a result of a re-valuation triggered by the land sale in FY19. This land impairment has been included within underlying expenses in the year as the disposal was undertaken through the normal course of business.

	Land and buildings £m	Leasehold improvements £m	Furniture, fixtures and fittings £m	Computer equipment £m	Total £m
52 weeks ended 27 April 2019					
Cost					
At 29 April 2018	7.5	206.8	59.6	24.3	298.2
Exchange differences	–	(0.3)	–	0.2	(0.1)
Additions	0.1	7.0	4.2	3.3	14.6
Disposals	–	(0.9)	(0.2)	–	(1.1)
Reclassified as held for sale	(2.3)	(0.1)	–	–	(2.4)

At 27 April 2019	5.3	212.5	63.6	27.8	309.2
Accumulated depreciation and impairments					
At 29 April 2018	0.3	115.7	33.0	19.0	168.0
Exchange differences	–	(1.1)	(0.2)	–	(1.3)
Depreciation charge	0.1	20.4	8.3	3.8	32.6
Impairments	0.1	30.3	5.3	0.8	36.5
Disposals	–	(0.6)	(0.1)	–	(0.7)
At 27 April 2019	0.5	164.7	46.3	23.6	235.1
Net balance sheet amount at 27 April 2019	4.8	47.8	17.3	4.2	74.1

Assets reclassified as held for sale during financial year 2019

Land held by the Group and the Company was marketed for sale during the financial year 2019, and as such this asset was reclassified as held for sale. This sale was completed in January 2020 and the loss in relation to this was £0.2m.

13. Intangible assets

	Trademarks £m	**Website and software £m**	**Lease premiums £m**	**Distribution agreements £m**	**Goodwill £m**	**Total £m**
52 weeks ended 25 April 2020						
Cost						
At 28 April 2019	**3.8**	**47.5**	**15.9**	**15.4**	**21.2**	**103.8**
Reclassified under transition to IFRS 16	**–**	**–**	**(1.6)**	**–**	**–**	**(1.6)**
Exchange differences	**–**	**–**	**–**	**0.3**	**0.3**	**0.6**
Additions	**0.5**	**6.7**	**–**	**–**	**–**	**7.2**
At 25 April 2020	**4.3**	**54.2**	**14.3**	**15.7**	**21.5**	**110.0**
Accumulated amortisation						
At 28 April 2019	**2.5**	**23.4**	**13.9**	**12.5**	**–**	**52.3**
Exchange differences	**–**	**–**	**–**	**0.2**	**–**	**0.2**
Amortisation charge	**0.4**	**7.7**	**–**	**0.6**	**–**	**8.7**
Impairments	**–**	**–**	**0.4**	**–**	**–**	**0.4**
At 25 April 2020	**2.9**	**31.1**	**14.3**	**13.3**	**–**	**61.6**
Net balance sheet amount at 25 April 2020	**1.4**	**23.1**	**–**	**2.4**	**21.5**	**48.4**

Lease premiums in 2019 included a lease premium with a net book value of £1.6m, during 2020 this amount has been transferred as part of the transition to IFRS 16, the remaining £0.3m of lease premiums have been impaired in underlying expenses.

Of the above impairment of £0.4m, 0.1m constitutes part of the total impairment of £136.8m in FY20 (2019: £42.6m) and relates to an impairment review performed on retail store assets, for further details on this please see note 3. This impairment has been included within exceptional expenses in the year. The remaining £0.3m relates to impairment of lease premiums mentioned above.

	Group					
	Trademarks £m	Website and software £m	Lease premiums £m	Distribution agreements £m	Goodwill £m	Total £m
52 weeks ended 27 April 2019						
Cost						
At 29 April 2018	3.5	38.6	15.9	15.2	21.6	94.8
Exchange differences	–	–	–	0.2	(0.4)	(0.2)
Additions	0.3	8.9	–	–	–	9.2
At 27 April 2019	3.8	47.5	15.9	15.4	21.2	103.8
Accumulated amortisation						
At 29 April 2018	2.2	16.1	6.9	11.8	–	37.0
Exchange differences	–	–	–	(0.1)	–	(0.1)
Amortisation charge	0.3	7.3	0.9	0.8	–	9.3
Impairments	–	–	6.1	–	–	6.1
At 27 April 2019	2.5	23.4	13.9	12.5	–	52.3
Net balance sheet amount at 27 April 2019	1.3	24.1	2.0	2.9	21.2	51.5

Amortisation of intangible assets is included within selling, general and administrative expenses in the Group statement of comprehensive income.

Impairment of goodwill
Goodwill of £21.5m is split into £14.3m for Wholesale and £7.2m for Retail. An impairment test is a comparison of the carrying value of assets of a business or cash generating unit ("CGU") to their recoverable amount. For goodwill impairment testing purposes, the Group has defined its CGUs as Retail and Wholesale. The recoverable amount is estimated based on using a value in use model using discounted cash flows. Where the recoverable amount is less than the carrying value, an impairment results. The medium-term plan have been used as the basis for this calculation.

Key assumptions
In determining the recoverable amount it is necessary to make a series of assumptions to estimate the present value of future cash flows. In each case, these key assumptions have been made by management reflecting historical performance and are consistent with relevant external sources of information.

Discount rates
Management estimates discount rates using pre tax rates that reflect the current market assessment of the time value of money and the risks specific to the CGUs. The pre-tax discount rate of 10.1% (2019: 9.8%) is derived from the Group's post-tax weighted average cost of capital of 9.8% (2019: 8.7%).

Operating cash flows
The key assumptions within the forecast operating cash flows include the growth rates in both sales and gross profit margins, changes in the operating cost base as set out in the medium-term financial plan, and the level of capital expenditure over a ten-year period.

Long-term growth rates
To forecast beyond the four years, a long-term average growth rate of 2.2% (2019: 1.5%) has been used. The recoverable amount has been calculated using a ten year total period (2019: ten year total period).

Goodwill sensitivity analysis
The results of the Group's impairment tests are dependent on estimates made by management, particularly in relation to the key assumptions described above. A sensitivity analysis as to potential changes in key assumptions has therefore been performed.

The present values of the future cash flows of the Retail and Wholesale CGUs are significant and are insensitive to any changes to reasonably possible changes to key assumptions.

14. Investments

Joint ventures
Set out below are the joint ventures of the Group as at 25 April 2020. The joint ventures have share capital consisting solely of ordinary shares, 50% of which are held directly by the Group. The country of incorporation is also their principal place of business.

Name of entity	Year-end	Country of incorporation	Ownership interest % shares	Measurement method
Trendy & Superdry Holding Limited	25 April	Hong Kong	50	Equity
Horace SARL (France)	31 Dec	France	50	Equity

The non-coterminous year end for Horace SARL (France) was historically determined and is of no material consequence to the Group.

As at 25 April 2020, the carrying value of the investment in Trendy & Superdry Holding Limited and Horace SARL was £nil. Under equity accounting, no charge was recognised in the financial statements in respect of the Group's share of the joint venture losses in the year, as the opening investment asset was £nil. Further information about exit of investment in Trendy & Superdry Holding Limited is included in note 25.

Trendy & Superdry Holding Limited operates in China through its wholly owned subsidiaries, Tianjin Trendy SuperGroup Clothing Sales Co. Ltd and Tianjin Trendy SuperGroup Commercial Co. Ltd, who act as clothing retailers and wholesale distributors.

The below table outlines the closing net assets in relation to the joint ventures held:

	2020 £m	2019 £m
Opening net assets	**–**	6.2
Investment in the period	**–**	–
Share of loss for the period – Group only	**–**	(3.7)
Share of deferred tax de-recognition	**–**	(0.7)
Share of onerous property related contracts provision charge	**–**	(1.4)
Share of store asset impairment	**–**	(0.4)
Impairment of investment	**–**	–
Closing net assets	**–**	–

The Group's residual share of the joint venture's results is unrecognised in line with the Group policy, totalling £8.8m in losses at 25 April 2020 (FY19:£5.1m).

Long-term loan to joint venture
The loans advanced by Superdry Plc to the trading subsidiaries of Trendy & Superdry Holding Limited have a term of three years and interest accrues at 5% per annum.

	2020 £m	2019 £m
Opening loan balance	**–**	3.3
Additional loans in the period	**–**	5.0
Interest in the period	**–**	0.2
Impairment of loan recoverability	**–**	(8.5)
Closing loan balance	**–**	–

The 2019 loan balance was impaired under IFRS 9 to reflect the uncertainty of the time line for repayment of the joint venture loans. This loan was deemed to be credit impaired and was therefore categorised as level 3 in the impairment model.

15. Balances and transactions with related parties
Transactions with Directors
Other than in respect of arrangements set out below and in relation to the employment of Directors, there is no material indebtedness owed to or by the Company or the Group to any employee or any other person or entity considered to be a related party.

During the prior period, Julian Dunkerton was appointed as a Director of Superdry Plc, and became a related party. The Group has spent £0.1m (2019: £nil) on travel and subsistence through companies in which he has a personal investment during the period. The balance outstanding at 25 April 2020 was £nil (2019: £nil). This expenditure includes the provision of corporate travel, hotel and catering services supplied on an arm's-length basis. These interests have been disclosed and authorised by the Board.

In addition, the Group occupies two properties owned by J M Dunkerton SIPP pension fund whose beneficiary and member trustee is Julian Dunkerton. The properties are rented to the Group on an arm's-length basis. Following a reassessment of the market rates for these properties, the rental expense has increased to £0.5m (2019: £0.1m). The balance outstanding at 25 April 2020 was £0.4m (2019: £nil).

16. Contingencies and commitments
Capital expenditure commitments

	2020 £m	2019 £m
Property, plant and equipment	**–**	–

The Group believes that future cash flows and funding will be sufficient to cover these commitments.

Contingent liability
The Company is party to an unlimited cross guarantee over all liabilities of the Group. The value of this amount is deemed not practical to disclose.

17. Leases

Right of use asset

52 weeks ended 25 April 2020	**Right of use asset* £m**
Cost	
At 28 April 2019	**–**
Recognition of cost at transition	**335.7**
Additions	**7.7**
Disposals	**(2.0)**
Lease modifications	**(0.6)**
Exchange rate difference	**3.4**
At 25 April 2020	**344.2**

* The transition amount has been adjusted from the figure reported in the interim statements to reflect prepaid rent of £5.8m that was on the balance sheet as at 27 April 2019.

Accumulated depreciation	**Right of use asset £m**
At 28 April 2019	**–**
Recognition of impairment at transition	**48.4**
Depreciation charge	**55.0**
Disposals	**–**
Impairment	**122.8**
At 25 April 2020	**(226.2)**
Net balance sheet amount at 25 April 2020	**118.0**

Of the £122.8m impairment, £121.2m is part of the exceptional impairment of £136.8m in 2020 (2019: £42.6m) and relates to an impairment review performed on retail store assets, for further details on this please see note 3. The remaining £1.6m relates to the impairment of a right of use asset which is recognised in underlying expenses. The carrying amount of the right of use asset is split between motor vehicles of £0.4m (2019: £nil) and property of £117.6m (2019: £nil). Items in the Group statement of comprehensive income not impacted by IFRS 16:

Lease expense relating to short-term assets	£5.1m
The expense of variable lease payments not included in the lease liabilities	£3.8m

Lease liability

Lease liabilities are calculated by discounting fixed lease payments using the incremental borrowing rate at the lease inception date determined with reference to the geographical location and length of the lease. The discount rates applied to leases ranged between 0.1% and 8.5%.

Analysed as:	**2020 £m**	2019 £m
Current lease liability	**80.1**	–
Non-current lease liability	**240.8**	–
Total lease liability	**320.9**	–

The remaining contractual maturities of the lease liabilities, which are gross and undiscounted, are as follows:

	2020 £m	2019 £m
Less than one year	**84.4**	–
One to two years	**65.2**	–
Two to five years	**138.6**	–
More than five years	**51.8**	–
Total undiscounted lease liability	**340.0**	–

Reconciliation of liabilities to cash flow arising from financing activities:

	2020 £m
At 28 April 2019	–
Recognition of lease liability on transition	**372.1**
Payment of lease liability	**(66.8)**
Increase in lease liability	**7.8**
Disposal of lease liability	**(2.3)**
Interest expense	**5.7**
Foreign exchange differences	**4.4**
Closing lease liability	**320.9**

18. Note to the cashflow statement
Reconciliation of operating profit to cash generated from operations

	Note	**2020 £m**	2019* £m
Operating (loss)/profit		**(159.4)**	(68.2)
Adjusted for:			
– Gain on derivatives	20	**(1.9)**	(23.9)
– Depreciation of property, plant and equipment and right of use assets	12	**78.5**	32.6
– Amortisation of intangible assets	13	**8.7**	9.3
– Impairment of property, plant and equipment, right-of-use-assets and intangible assets		**139.1**	42.6
– Loss on disposal of property, plant and equipment		**0.3**	0.4
– (Decrease)/increase in onerous property related contracts provision		**(12.0)**	86.9
– Restructuring costs		**–**	0.5
– Release of lease incentives		**(0.1)**	(9.7)
– Employee share award schemes	7	**0.9**	0.9
– IFRS 2 charge – FSP	8	**0.3**	2.6
– Foreign exchange losses		**(1.9)**	4.5
– Write down of inventory		**7.7**	–
– Bad debt expense		**15.3**	–
Operating cash flow before movements in working capital		**75.5**	78.5
Changes in working capital:			
–Decrease/(increase) in inventories		**21.6**	(25.5)
–Decrease in trade and other receivables		**14.6**	9.4
– Decrease in trade and other payables and provisions		**(24.2)**	(7.8)
Cash generated from operating activities		**87.5**	54.6

* The reported comparatives have been restated to reflect a prior year adjustment, see note 22.

Group cash flows arising from exceptional and other costs are £nil (2019: £2.5m).

19. Net cash/(debt)
Analysis of net cash/(debt)

	2019* £m	Cash flow £m	Non-cash changes £m	**2020 £m**
Cash and bank balances	49.5	258.9	(1.0)	**307.4**
Overdraft	(13.6)	(257.1)	–	**(270.7)**
Net Cash and cash equivalents	35.9	1.8	(1.0)	**36.7**

* 2019 balances for cash and borrowings have been restated to reflect the grossing up of cash and overdraft balances subject to the group's cash pooling arrangements and to ensure the Group's presentation of these balances is in line with the requirements for offsetting in accordance with IAS 32. See note 22.

The position outlined above is not inclusive of financial liabilities in relation to IFRS 16. Non-cash changes relates to exchange gains on cash and cash equivalents. Interest of £0.2m (2019: £1.0m) has been incurred in respect of short-term facilities.

20. Financial risk management
The Company's and Group's activities expose it to a variety of financial risks, including: market risk (including foreign currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain foreign exchange exposures.

Credit risk
Credit risk is managed on a Group basis through a shared service centre based in Cheltenham. Credit risk arises from cash and cash equivalents, as well as credit exposures to Wholesale and to a lesser extent Retail customers, including outstanding receivables and committed transactions. For Wholesale customers, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The Group mitigates risk in certain markets or with customers considered higher risk with payments in advance and bank guarantees, as well as adopting credit insurance where appropriate. The Group regularly monitors its exposure to bad debts in order to minimise risk of associated losses.

The Group is party to banking agreements that include a legal right of offset which enables the overdraft balances of £270.7m (2019: £13.6m) to be settled net with cash balances. These balances have been excluded from contractual cash flows.

Sales to Retail customers are settled in cash, by major credit cards or by PayPal. Credit risk from cash and cash equivalents is managed via banking with well-established banks with a strong credit rating.

Impairment of financial assets

From 29 April 2018, the Group applied the IFRS 9 simplified approach in measuring expected credit losses ("**ECL**"). The Group's financial assets subject to the ECL model are primarily trade receivables.

A loss allowance is recognised based on ECL. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. None of the trade receivables that have been written off are subject to enforcement activities.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) the financial instrument has a low risk of default;

(2) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and

(3) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The maximum exposure to credit risk is equal to the carrying value of the derivatives.

Measurement and recognition of expected credit losses

The measurement of ECL is a function of the probability of default, loss given default and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. The exposure at default is represented by the asset's gross carrying value, less specific insurance held, at the reporting date.

The ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The Group recognises an impairment gain or loss in profit for all financial instruments with a corresponding adjustment to their carrying amount through a loss account.

Foreign currency risk
The Group's foreign currency exposure arises from:

- transactions (sales/purchases) denominated in foreign currencies;
- monetary items (mainly cash receivables and borrowings) denominated in foreign currencies; and
- investments in foreign operations, whose net assets are exposed to foreign currency translation.

The Group is mainly exposed to US Dollar and Euro currency risks. The exposure to foreign exchange risk within each company is monitored and managed at Group level. The Group's policy on foreign currency risk is to economic hedge a portion of foreign exchange risk associated with forecast overseas transactions, and transactions and monetary items denominated in foreign currencies.

The Group's approach is to hedge the risk of changes in the relevant spot exchange rate. The Group uses forward contracts to hedge foreign exchange risk. As at 25 April 2020 and 27 April 2019, the Group had entered into a number of foreign exchange forward contracts to hedge part of the aforementioned translation risk. Any remaining amount remains unhedged.

Forward exchange contracts have not been formally designated as hedges and consequently no hedge accounting has been applied. Forward exchange contracts are carried at fair value. Currency exposure arising from the net assets of the Group's foreign operations are not hedged.

At 25 April 2020, if the currency had weakened/strengthened by 10% against both the US Dollar and Euro with all other variables held constant, profit for the period would have been £29.9m (2019: £0.6m) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US Dollar/Euro trade receivables, cash and cash equivalents, and trade payables. The figure of 10% used for sensitivity analysis has been chosen because it represents a range of reasonably probable fluctuations in exchange rates.

The Group's foreign currency exposure is as follows:

	2020 **US Dollar** **£m**	**2020** **Euro** **£m**	2019 US Dollar £m	2019 Euro £m
Financial assets				
Trade receivables	**1.4**	**46.4**	1.7	57.3
Cash and cash equivalents	**21.6**	**74.7**	4.6	4.6
Financial assets exposure	**23.0**	**121.1**	6.3	61.9
Financial liabilities				
Trade payables	**(11.2)**	**(11.8)**	(9.8)	(10.0)
Lease liabilities	**(47.2)**	**(159.0)**	–	–
Overdrafts	**(86.4)**	**(127.0)**	–	–
Financial liabilities exposure	**(144.8)**	**(297.8)**	(9.8)	(10.0)
Net exposure	**(121.8)**	**(176.7)**	(3.5)	51.9

Cash flow interest rate risk
The Group has financial assets and liabilities which are exposed to changes in market interest rates. Changes in interest rates impact primarily on deposits, loans and borrowings by changing their future cash flows (variable rate). Management does not currently have a formal policy of determining how much of the Group's exposure should be at fixed or variable rates and the Group does not use hedging instruments to minimise its exposure. However, at the time of taking out new loans or borrowings, management uses its judgement to determine whether it believes that a fixed or variable rate would be more favourable for the Group over the expected period until maturity. Sensitivity analysis has not been provided due to the low level of loans and borrowings within the Group.

Liquidity risk
Cash flow forecasting is performed on a Group basis by the monitoring of rolling forecasts of the Group's liquidity requirements to ensure that it has sufficient cash to meet operational needs.

The Group is party to banking agreements that include a legal right of offset which enables the overdraft balances of £270.7m (2019: £13.6m) to be settled net with cash balances. These balances have been excluded from contractual cash flows.

Following Covid-19, the Group is managing cash flows very closely, this involves working with landlords for rent relief and prioritising certain payments to ensure cash levels remain in surplus. The Group benefited from the UK government's decision to grant a 12 month holiday on business rates. The Group also took early and decisive cash preservation measures across the business including deferral of tax payments and seeking reductions in business rates as a result of UK government support. The Group utilised government support packages offered in many countries where the Group operate resulting in furloughing 4,000 staff (88% of our workforce and comprising mostly retail staff) during the period stores were closed. See note 24 for further details.

Maturity of undiscounted financial liabilities (excluding derivatives)
The expected maturity of undiscounted financial liabilities is as follows:

	2020 £m	2019 £m
In one year or less	**352.7**	109.1
In two to five years	**1.8**	1.4

The above balances relate to trade and other payables. See note 17 for analysis of undiscounted lease liabilities.

Valuation hierarchy

The table below shows the financial instruments carried at fair value by valuation method:

			2020			2019
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	Level 1 £m	Level 2 £m	Level 3 £m
Assets						
Derivative financial instruments – forward foreign exchange contracts	**–**	**2.6**	**–**	–	1.7	–
Liabilities						
Derivative financial instruments – forward foreign exchange contracts	**–**	**(2.3)**	**–**	–	(3.4)	–

The level 2 forward foreign exchange valuations are derived from mark-to-market valuations based on observable market data as at the close of business on 25 April 2020.

The notional principal amount of the outstanding outright FX contracts as at 25 April 2020 was £245.2m (2019: £270.1m). Structured forward foreign exchange contracts are in place to sell up to €96m (£87.4m) depending on the exchange rates set on fixing dates over the next 12 months (2019: to buy up to USD 86.5m (£67.0m) and sell up to EUR 183m (£158.1m) in exchange for a variable amount of GBP depending on the underlying conditions at maturity.

Derivative financial instruments

There is a master netting agreement in place in relation to derivatives. All cash flows will occur within 24 months. All derivative financial instruments are carried at fair value as assets when the fair value is positive and as liabilities when the fair value is negative.

The table below analyses the Group's and Company's derivative financial instruments. The amounts disclosed in the table are the carrying balances of the assets and liabilities as at the balance sheet date.

	Group	
	2020 £m	2019 £m
Forward foreign exchange contracts – current	**2.5**	0.4
Forward foreign exchange contracts – non-current	**0.1**	1.3
Total derivative financial assets	**2.6**	1.7
Forward foreign exchange contracts – current	**2.1**	1.4
Forward foreign exchange contracts – non-current	**0.2**	2.0
Total derivative financial liabilities	**2.3**	3.4

All financial derivative instruments are due within 24 months.

The full fair value of a derivative is classified as a non-current asset or liability where the remaining maturity of the derivative is more than 12 months and as a current asset or liability, if the maturity of the derivative is less than 12 months.

Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders, and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. The Group is not subject to any externally imposed capital requirements. The Group's strategy remains unchanged from financial year 2019.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital employed. Net debt is defined in note 23. Total capital employed is calculated as "equity" as shown in the consolidated balance sheet plus net debt. The Group is in a net cash position at 25 April 2020.

The Board has put in place a distribution policy which takes into account the degree of maintainability of the Group's profit streams as well as the requirement to maintain a certain level of cash resources for working capital and capital investment purposes. The Board will

recommend an ordinary dividend broadly reflecting the profits in the relevant period. In addition, the Board will consider and, if appropriate, recommend the payment of a supplemental dividend alongside the final ordinary dividend. The value of any such supplemental dividend will vary depending on the performance of the Group and the Group's anticipated working capital and capital investment requirements through the cycle. It is intended that, in normal circumstances, the value of the ordinary dividends declared in respect of any year are covered at least three times by underlying profit after tax (see note 23 for definition).

The capital structure is as follows:

	Group	
	2020 £m	2019* £m
Equity	**112.7**	257.5
Cash and cash equivalents	**307.4**	49.5
Overdraft	**(270.7)**	(13.6)
Net cash and cash equivalents	**36.7**	35.9

* 2019 balances for cash and cash equivalents have been restated to reflect the grossing up of cash and overdraft balances subject to the group's cash pooling arrangements and to ensure the Group's presentation of these balances is in line with the requirements for offsetting in accordance with IAS 32. See note 22.

Financial instruments by category

	Assets at fair value through profit or loss 2020 £m	**Financial assets at amortised cost 2020 £m**	**Total 2020 £m**	Assets at fair value through profit or loss 2019 £m	Financial assets at amortised cost 2019 £m	Total 2019 £m
Trade and other receivables excluding prepayments	**–**	**88.5**	**88.5**	–	103.5	103.5
Derivative financial instruments	**2.6**	**–**	**2.6**	1.7	–	1.7
Cash and cash equivalents	**–**	**307.4**	**307.4**	–	49.5	49.5
Financial instruments – assets	**2.6**	**395.9**	**398.5**	1.7	153.0	154.7

	Liabilities at fair value through profit or loss 2020 £m	**Other financial liabilities at amortised cost 2020 £m**	**Total 2020 £m**	Liabilities at fair value through profit or loss 2019 £m	Other financial liabilities at amortised cost 2019 £m	Total 2019 £m
Derivative financial instruments	**2.3**	**–**	**2.3**	3.4	–	3.4
Lease liabilities	**–**	**320.9**	**320.9**	–	–	–
Overdrafts		**270.7**	**270.7**		13.6	13.6
Trade and other payables excluding non-financial liabilities	**–**	**83.8**	**83.8**	–	163.9	163.9
Financial instruments – liabilities	**2.3**	**675.4**	**677.7**	3.4	177.5	180.9

21. Share capital

Authorised, allotted and fully paid 5p shares

Group and Company	Number of shares	Value of shares (£m)
25 April 2020	**82,010,788**	4.1
27 April 2019	**81,995,248**	4.1

15,540 ordinary shares of 5p were authorised, allotted and issued in the period under the Superdry Share Based Long-Term Incentive Plans, Buy As You Earn and Save As You Earn schemes.

22. Prior year restatement

An error associated with inventory accounting in the prior year has been identified during the course of FY20. Inventories are valued at the lower of cost and net realisable value. Cost comprises costs associated with the purchase and bringing of inventories to the distribution centres. The historic journal entries for stock cost are complex. The error of £3.9m relates to the system of recording and allocating cost variances related to freight, duty, and other charges, and transfers between warehouses.

The Group have reviewed the recording processes and concluded that the record keeping process was overly complex. The Group have now simplified the accounting.

Within the period, it was determined that the Company's cash and overdrafts within notional cash pooling arrangements did not meet the requirements for offsetting in accordance with IAS 32: 'Financial Instruments: Presentation'. For presentational purposes, cash and bank balances in the prior year have been restated in accordance with IAS 8: 'Accounting Policies, Change in Accounting Policies and Errors' with an additional £13.6m within borrowings and cash balances increased by an equal and opposite amount. There is no impact on net assets.

The impact of the adjustment on the relevant financial statement line items is set out below:

	52 weeks to 27 April 2019 Previously reported £m	Adjustment	52 weeks to 27 April 2019 Restated £m
Revenue	871.7	–	871.7
Cost of sales	(387.4)	(3.9)	(391.3)
Gross profit	484.3	(3.9)	480.4
Selling, general and administrative expenses	(587.2)	–	(587.2)
Other gains and losses (net)	34.7	–	34.7
Operating loss	(68.2)	(3.9)	(72.1)
Loss before tax	(85.4)	(3.9)	(89.3)
Tax (expense)/credit	(13.1)	0.7	(12.4)
Loss for the period	(98.5)	(3.2)	(101.7)
Attributable to:			
Owners of the Company	(98.5)	(3.2)	(101.7)

	Pence per share As reported	Adjustment	Pence per share Restated
Earnings per share:			
Basic	(120.3)	(3.9)	(124.2)
Diluted	(120.0)	(3.9)	(123.9)

Group Balance Sheet as at 27 April 2019

	52 weeks to 27 April 2019 previously reported £m	Stock adjustment	Cash netting adjustment	52 weeks to 27 April 2019 £m
ASSETS				
Total non-current assets	159.7	–	–	159.7
Current assets				
Inventories	190.8	(3.9)	–	186.9
Trade and other receivables	122.4	–	–	122.4
Derivative financial instruments	0.4	–	–	0.4
Assets classified as held for sale	2.4	–	–	2.4
Cash and bank balances	35.9	–	13.6	49.5
Current tax receivable	–	0.3	–	0.3
Total current assets	351.9	(3.6)	13.6	361.9
LIABILITIES				
Current liabilities				
Trade and other payables	127.3	–	–	127.3
Borrowings	–	–	13.6	13.6

Provisions for other liabilities and charges	18.1	–	–	18.1
Current tax liabilities	0.4	0.4	–	–
Derivative financial instruments	1.4	–	–	1.4
Total current liabilities	147.2	0.4	13.6	160.4
Total non-current liabilities	103.7	–	–	103.7
Net assets	260.7	(3.2)	–	257.5
EQUITY				
Share capital	4.1	–	–	4.1
Share premium	149.1	–	–	149.1
Translation reserve	(3.0)	–	–	(3.0)
Merger reserve	(302.5)	–	–	(302.5)
Retained earnings	413.0	(3.2)	–	409.8
Total equity	260.7	(3.2)	–	257.5

23. Alternative performance measures

Introduction

The Directors assess the performance of the Group using a variety of performance measures, some are IFRS, and some are adjusted and therefore termed ''non-GAAP'' measures or "Alternative Performance Measures" (***''APMs''***). The rationale for using adjusted measures is explained below. The Directors principally discuss the Group's results on an ''underlying'' basis. Results on an underlying basis are presented before exceptional and other items.

The APMs used in this Annual Report are: underlying gross profit and margin, underlying operating profit and margin, like-for-like revenue growth, underlying (loss)/profit before tax, underlying tax expense and underlying effective tax rate, underlying earnings per share and net cash/debt.

A reconciliation from these non-GAAP measures to the nearest measure prepared in accordance with IFRS is presented below. The APMs we use may not be directly comparable with similarly titled measures used by other companies. There have been no changes in definitions from the prior period.

Exceptional and other items

The Group's statement of comprehensive income and segmental analysis separately identify trading results before exceptional and other items. The Directors believe that presentation of the Group's results in this way provides a useful alternative analysis of the Group's financial performance, as exceptional and other items are identified by virtue of their size, nature or incidence. This presentation is consistent with the way that financial performance is measured by management and reported to the Board and the Executive Committee and assists in providing a relevant analysis of the trading results of the Group. It is also consistent with the way that management is incentivised. In determining whether events or transactions are treated as exceptional and other items, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence.

Examples of charges or credits meeting the above definition and which have been presented as exceptional and other items in the current and/or prior years include:

Exceptional items

- Acquisitions/disposals of significant businesses and investments (including related to the joint venture);
- Impact on deferred tax assets/liabilities for changes in tax rates;
- Business restructuring programmes;
- Derecognition of deferred tax assets (including related to the joint venture); and
- Asset impairment charges and onerous property related contracts provision.

Other items

- The movement in the fair value of unrealised financial derivatives; and
- IFRS 2 charges in respect of Founder Share Plan (''FSP'').

In the event that other items meet the criteria, which are applied consistently from year to year, they are also treated as exceptional and other items.

Exceptional and other items in this period

The following items have been included within ''exceptional and other items'' for the period ended 25 April 2020:

Fair value re-measurement of foreign exchange contracts – financial years 2020 and 2019

The fair value of unrealised financial derivatives is reviewed at the end of each reporting period and unrealised losses/gains are recognised in the Group statement of comprehensive income.

The Directors consider unrealised losses/gains to be ''exceptional and other items'' due to both their size and nature. The size of the movement on the fair value of the contracts is dependent in particular on the spot foreign exchange rate at the balance sheet date and an assessment of future foreign exchange volatility applied to the relevant contract currencies, as such the size of the movements can be substantial. The unrealised foreign exchange contracts have been entered into in order to achieve an economic hedge against future payments and receipts and are not a reflection of historical performance. The Directors do not therefore consider these unrealised losses/gains to be a reflection of the trading performance in the period.

Restructuring, strategic change and other costs – financial years 2020 and 2019
The Group Annual Report financial year 2019 included exceptional items in relation to a cost-saving restructuring programme, and the strategic change with Julian Dunkerton re-joining the business on 2 April 2019. In the financial year 2020 a credit was incurred in relation to this same programme. The Directors consider these to be "exceptional and other" charges and credits due to their nature and they are a true up of costs classified as exceptional in the prior year. These are not considered to be a reflection of the trading performance in the period.

During the current year, the Board and management reviewed the long-term business plan for the Trendy & Superdry Holding Limited joint venture. Following discussions with the joint venture partner, and taking into account the current challenging retail environment due to Covid-19, both parties agreed to end the relationship. Costs for the wind-up of the business totalling £1.5m have been accrued for; these are considered to be exceptional based on the one-off nature of this decision.

Store asset impairment and onerous property related contracts provision – financial years 2020 and 2019
A store asset impairment and onerous property related contracts provision review was performed during the year across the Group's store portfolio. An exceptional impairment of £136.8m of fixed assets, intangible assets and right of use assets has been made on the basis that the recoverable amount is less than the carrying value. In addition, an onerous property related contracts provision of £12.0m has been released, reflecting the surplus in the net present value of the future cash flows compared to the net present value of the future service charge obligations within the lease.

A similar exercise was performed in financial year 2019 across all store assets, resulting in a fixed asset impairment of £42.6m and an onerous property related contracts provision charge of £86.9m.

The Directors consider the store impairment and onerous property related contracts provision to be an ''exceptional and other item'' due to the materiality of the charge. See notes 3 and 6 for further details.

Founder Share Plan (''FSP'') – IFRS 2 charge – financial years 2020 and 2019
While there are no cost or cash implications for the Group, the Founder Share Plan (''FSP'') falls within the scope of IFRS 2. The Group has included the IFRS 2 charge and related deferred tax movement in relation to the FSP within ''exceptional and other items'' for the current and subsequent periods.

The Directors consider the plan to be one-off in nature and unusual in that the share awards are being funded exclusively by the Founders. The full-year charge for FY20 and FY21 has been estimated between £0.3m – £2m each period. While the charge is spread over a number of financial years, the plan is a one-time scheme. Accordingly the IFRS 2 charge in respect of the FSP is considered to be an ''exceptional and other item'' due to the size, nature and incidence of the scheme. There are no known recent examples within quoted companies of incentive arrangements operating in a similar way to the FSP. While unusual in terms of size, the plan is also unusual with regard to its treatment in what is essentially a personal arrangement, with no net cost or cash and minimal administrative burden to the Company. There are no other adjustments anticipated in respect of the scheme other than the IFRS 2 charge.

Therefore the Directors consider the charge to be significant in terms of its potential influence on the readers' interpretation of the Group's financial performance and not a reflection of the trading performance in the period.

See note 8 for further details of the FSP.

Share of joint venture exceptional costs – financial year 2019
During financial year 2019 Trendy & Superdry Holding Ltd carried out a store asset impairment and onerous lease provision review, similar to the one mentioned above, which has led to exceptional losses. This is a joint venture of the Group (see note 14).

As part of this review the profitability of the recoverability of the loan made to the joint venture was considered. As settlement of the loans is not expected within the four-year time horizon of management's strategic plan the full balance of £8.5m of these loans were provided for in the prior year.

The Directors consider these to be "exceptional and other items" due to their size and the expectation that they are one-off in nature.

Underlying gross profit and margin
In the opinion of the Directors, underlying gross profit and margin are measures which seek to reflect the underlying performance of the Group that will contribute to long-term sustainable profitable growth. They are key internal management metrics for assessing segmental performance. As such, they exclude the impact of exceptional and other items.

A reconciliation from gross profit, the most directly comparable IFRS measure, to the underlying gross profit and margin, is set out below.

	2020 £m	2019* £m
Reported revenue	**704.4**	871.7
Gross profit	**377.9**	480.4
Exceptional and other items	**–**	–
Underlying gross profit	**377.9**	480.4

	2020 £m	Restated 2019 £m
Gross margin	**53.6%**	55.1%
Underlying gross margin	**53.6%**	55.1%

* The reported comparatives have been restated to reflect a prior year adjustment, see note 22.

Underlying operating profit and margin

In the opinion of the Directors, underlying operating profit and margin are measures which seek to reflect the underlying performance of the Group that will contribute to long-term sustainable profitable growth. The Directors focus on the trends in underlying operating profit and margins, and they are key internal management metric for assessing segmental performance. As such, they exclude the impact of exceptional and other items.

A reconciliation from operating profit, the most directly comparable IFRS measure, to the underlying operating profit and margin, is set out below.

	2020 £m	2019* £m
Reported revenue	**704.4**	871.7
Operating loss	**(159.4)**	(72.1)
Exceptional and other items	**125.1**	116.3
Underlying operating (loss)/profit	**(34.3)**	44.2

* The reported comparatives have been restated to reflect a prior year adjustment, see note 22.

	2020 £m	2019* £m
Operating margin	**(22.6)%**	(8.3)%
Underlying operating margin	**(4.9)%**	5.1%

* The reported comparatives have been restated to reflect a prior year adjustment, see note 22.

Like-for-like revenue growth

In the opinion of the Directors, like-for-like revenue growth is a measure which seeks to reflect the underlying performance of the Group's stores without the impact of new or closed stores in the year. It is a key internal management metric for assessing revenue performance. Like-for-like sales growth is defined as the year-on-year increase in revenue from stores and concessions open for more than one year, and allowing for store upsizing of no more than 100% in original trading space less the impact of store closures. As such, they exclude the changes to the store portfolio.

A comparison to reported revenue, the most directly comparable IFRS measure, to the like-for-like revenue growth, is set out below.

	2020 £m	2019 £m
Reported revenue	**(19.2%)**	(3.7%)
Like-for-like store revenue	**(14.4%)**	(9.6%)

Underlying(loss)/profit before tax

In the opinion of the Directors, underlying (loss)/profit before tax is a measure which seeks to reflect the underlying performance of the Group that will contribute to long-term sustainable profitable growth. As such, underlying (loss)/profit before tax excludes the impact of exceptional and other items. The Directors consider this to be an important measure of Group performance and is consistent with how the business performance is reported to and assessed by the Board and the Executive Committee.

This is a measure used within the Group's incentive plans.

A reconciliation from (loss) before tax, the most directly comparable IFRS measures, to the underlying (loss)/profit before tax, is set out below.

	2020 **£m**	2019* £m
Loss before tax	**(166.9)**	(89.3)
Exceptional and other items	**125.1**	127.3
Underlying (loss)/profit before tax	**(41.8)**	38.0

* The reported comparatives have been restated to reflect a prior year adjustment, see note 22

Underlying tax expense and underlying effective tax rate

In the opinion of the Directors, underlying tax expense is the total tax charge for the Group excluding the tax impact of exceptional and other items. Correspondingly, the underlying effective tax rate is the underlying tax expense divided by the underlying profit before tax.

These measures are an indicator of the ongoing tax rate of the Group.

A reconciliation from tax expense, the most directly comparable IFRS measures, to the underlying tax expense, is set out below:

	2020 **£m**	2019* £m
Underlying (loss)/profit before tax	**(41.8)**	38.0
Tax credit/(expense)	**23.5**	(12.4)
Exceptional and other items – current tax	**(0.1)**	(1.7)
Exceptional and other items – deferred tax	**(17.3)**	2.6
Underlying tax credit/(expense)	**6.1**	(11.5)
Underlying effective tax rate	**(14.6)%**	(30.3)%

* The reported comparatives have been restated to reflect a prior year adjustment, see note 22

Net cash/debt

In the opinion of the Directors, net cash/debt is a useful measure to monitor the overall cash position of the Group. It is the total of all short and long-term loans and borrowings, less cash and cash equivalents. See note 19 for the Group's net cash/(debt) position. This position is exclusive of financial liabilities in relation to IFRS 16.

Underlying EPS

In the opinion of the Directors, underlying earnings per share is calculated using basic earnings, adjusted to exclude exceptional and other items net of current and deferred tax. See note 10 for the Group's underlying EPS.

24. Government assistance

In response to Covid-19, the Group took early and decisive cash preservation measures across the business including deferral of tax payments and seeking reductions in business rates as a result of UK government support; utilising government support packages offered in many countries where we operate; furloughing 4,000 staff (88% of workforce and comprising mostly retail staff) during the period stores were closed. The Group also deferred VAT, PAYE and Customs Duty of more than £5.0m and recovered historic corporation tax overpayments of £11.5m, of which £3.0m was received post year end.

Government grants in relation to the UK's Coronavirus Job Retention Scheme (CJRS) and equivalent schemes in other territories represents a value of £2.9m. Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. The value is netted off against payroll costs in selling, general and administrative expenses.

25. Post balance sheet events

Exit of China joint venture

In June 2020, the Group reached an amicable agreement with Trendy and Superdry Holding Limited to exit relationship with them. As a result, the Group completed the exit of retail operations within China at the end of August 2020. The Group continues to focus on the ecommerce and wholesale strategy in the region. In the current year £1.5m of exit costs relating to solvency, legal and logistics costs have been incurred and are included within exceptional items (see note 6).

As at 27 April 2019, the carrying value of the investment in Trendy & Superdry Holding Limited was £nil after recognising a £3.7m loss in the 52 week period to 27 April 2019. No further investment has been provided during FY20 by Superdry Plc. In FY20 no further losses were recognised as the investment value had already been written down to £nil. At the Balance Sheet date the Company holds a £2.2m bad debt provision for outstanding debt in relation to stock supplied to the Joint Venture.

Refinancing

Subsequent to year end, the Group entered into a new financing facility with existing lenders, HSBC and BNPP in the form of a new Asset Backed Lending Facility (“ABL Facility”) which is up to £70m, with a term until January 2023 with amended covenants.

This ABL Facility replaces the existing revolving credit facility that the Company had in place following the breach of non-financial covenants in respect of the timing of submission of subsidiary statutory accounts. The RCF was due to expire in January 2022. The new facility is subject to a number of financial covenants and the borrowing base will vary throughout the year dependent on the level of the Company’s eligible inventory and receivables.

The covenants outlined in this agreement include specific EBITDAR (earnings before interest, tax, depreciation, amortisation and rent) and Fixed charge cover (earnings before interest and tax over fixed charges) to be achieved on specified dates throughout the year. Additionally the facility must be undrawn for 5 successive days in January 2021. The EBITDAR covenant is calculated on an internal budget basis.

Due to these covenants being tested on a trailing 12 months basis (much of which has already occurred as at the first EBITDAR test in October 2020), there is also a drawdown limit of £35m on the facility for the month of October 2020 only (after which time the facility is capped at £70m, subject to the borrowing base availability), which is intended to give the debt providers additional comfort around short-term cash management. The Group’s projected trading scenarios have been thoroughly stress tested with the new facility providing sufficient liquidity to continue trading through an expected difficult trading environment.

Restructuring announcement

In June 2020, it was announced that the Group would undergo a restructuring programme which included redundancies in order to make the Group fit for the future. This resulted in investing in certain areas of the Group whilst changing the structure and reporting lines in other areas of the business.

This is expected to result in reduced overhead staff costs by around 20% representing a £12m annualised cost saving, with the changes impacting around 10% of staff.

26. Principal risks and uncertainties

The principal risks and uncertainties identified by the Board are as follows:

- Damage may occur to the Superdry Brand or the Brand may lose its resonance.
- Failure to set a commercial product strategy that is aligned to brand position, market dynamics and consumer aspiration.
- Compromise of our key technological or physical assets would significantly impede our ability to trade, particularly during the peak trading period from November to January.
- Elevated stock levels creating a risk of shortfall in cash flow and additional storage costs.
- Poor performance across our global, omni-channel proposition.
- Risk of an information security breach causing data and/or systems compromise. This could impact our ability to trade, lead to regulatory scrutiny and fines and cause damage to the brand.
- Loss of key colleagues or the inability to attract, develop and retain talent.
- Inadequate cash management to respond to the cyclical nature of the Group's revenue and expenditure and points within the year when there are significant outflows of cash - the timing of which can change.
- Risk of significant changes in currency exchange rates.
- Brexit (the exit of the UK from the European Union) potentially introduces risks to operations, including increases in tariffs on goods and delays in their global movement, availability of labour and instability in the global currency market.
- Adverse impact of Covid-19 on the business. The impact of Covid-19 on the business is discussed in detail within the Covid-19 impact section of this announcement.