SuperdryPlc

(“Superdry” or “the Company”)

27 January 2023

Interim Results for the 26-week period ending 29 October 2022

Strong Christmas trading; cautious on remainder of FY23

Superdry announces its Interim Results covering the 26-week period from 1 May 2022 to 29 October 2022 ("H1 23") and a trading update covering the 9-week period from 30 October 2022 to 31 December 2022.

- Brand recovery on track, with strong momentum for AW22[1] collection and new leading categories.
- Stores revenue +14.3% to £117.7m as customers returned to high streets, with strong demand for womenswear, denim, and jackets.
- Wholesale declined 5.2%, due to a lagged recovery after Covid and shipment timing.
- The return to a normalised cost base coupled with the slow start to Q1 in Europe, and the delayed recovery of Wholesale have all impacted first half profits, despite underlying recovery.
- Adjusted Loss Before Tax[2] of £(13.6)m, includes foreign exchange gains of £17.2m (H1 22 FX loss of £1.1m).
- Awarded a Climate Disclosure Project (“CDP”) A rating, one of only two British fashion brands in the ‘A List’.
- Over the Christmas period, demand continued to strengthen, with stores back to 2019 levels in December and Retail[3] revenue up 24.9% in 9 weeks to 31 December 2022.
- Due to underperformance of Wholesale and increasing uncertainty on Q4, we have revised our outlook for FY23 adjusted profit before tax to be broadly breakeven (previously £10 – 20m).

£m	H1 23	H1 22	*Vs H1 22*
Group Revenue	£287.2m	£277.2m	*3.6%*
Gross Margin Rate	52.1%	55.2%	*(3.2)%pts*
Adjusted loss before tax[2]	£(13.6)m	£(2.8)m	*385.7%*
Adjusting items[2]	£(4.1)m	£6.8m	*n/a*
Statutory profit/(loss) before tax	£(17.7)m	£4.0m	*n/a*
Adjusted basic loss per share[2]	(11.2)p	(3.8)p	*194.7%*
Basic profit/(loss) per share	(15.0)p	3.0p	*n/a*
Net working capital[2]	£119.3m	£120.6m	*(1.1)%*
Net (debt)/cash position[2]	£(38.0)m	£(3.9)m	*n/a*

Julian Dunkerton, Founder and Chief Executive Officer, said: “The Superdry brand has real momentum and I’m delighted by how our retail trading continues to strengthen. We’ve done this against a difficult macroeconomic backdrop by delivering well-designed, affordable, and responsibly sourced products which have resonated well with customers. Our coats performed really well in the run up to Christmas, and womenswear continues to be a highlight for us. Stores continued to recover strongly and online had its biggest ever week over Black Friday, helped by our new ecommerce platform which is delivering real benefits.

We continued to receive positive recognition for our efforts to make Superdry the ‘#1 Sustainable Style Destination’, and this year CDP awarded us an A rating, one of only two British fashion brands on this year’s ‘*A List*’.

Despite the underlying brand recovery, our profits in the first half fell short of expectations mainly due to the underperformance of Wholesale. We reorganised our team and our approach to support our Wholesale partners and expect to see their confidence return following the retail success of AW22. Whilst we did trade well through November and December, the outlook for the remainder of the year is uncertain and as a result, we are moderating our profit outlook to broadly breakeven. We don’t expect market conditions to become easier any time soon, but with a new financing package in place and the brand in great health, we approach the year ahead with optimism.”

H1 23 Financial overview

- Revenue increased 3.6% year-on-year with retail channels growing 9.5% due to a strong return to physical retail whilst ecommerce growth of 1.6% was more modest as customer returned to shopping in stores. This was offset by both the slower rate of buy in Wholesale, given some stock overhang, which continued to be adversely affected by stock overhangs from Covid, and a later dispatch profile for AW22[1] product.
- Gross margin contracted by 3.1%pts with the strong delivery of our full-price stance during a period of rising costs being offset by the delayed Wholesale price increases and additional stock clearance through the Wholesale channel.
- Adjusted loss before tax fell to £(13.6)m (H1 22 £(2.8)m), impacted both by the performance of Wholesale and a return to normal business rents and rates following a period of Covid-relief, offset by gains from cash margin hedges against exchange rate movements of £10.3m (H1 22 £(1.2) m) and a revaluation of foreign currency assets of £6.9m (H1 22 £0.1m).
- Statutory loss before tax was £(17.7)m, a £21.7m decrease from a profit of £4.0m in H1 22.
- Working capital showed a reduction of £1.3m year-on-year driven by a combination of increased inventory of £13.2m and receivables of £15.9m, offset by a rise in payables by £30.4m, all significantly affected by the timing of stock intake and wholesale dispatches.
- We ended the half with £38.0m net debt[2] as we entered our seasonal working capital high, exacerbated by a period of slower sales in October due to the warmer weather. As noted in our 22 December trading update, our cash position has continued to improve during the peak trading period, with net debt of £9.8m as of 31 December 2022.

Christmas Trading (9 weeks from 30 October 2022 to 31 December 2022)

The table below shows the revenue change on a one-year basis for the 9-week period ending 31 December 2022:

£m	Christmas Trading (9 weeks)	Year-to-date (35 weeks)
Group Revenue	4.5%	3.9%
Stores	18.8%	16.1%
Ecommerce	33.4%	15.3%
Retail (Stores and Ecommerce)	*24.9%*	*15.7%*
Wholesale*	(57.4)%	(18.0)%

** Over short trading periods, wholesale is always subject to material timing differences year-on-year and the longer-term trends are more indicative of overall performance.*

Over the 9-week period, group revenue was up 4.5% versus FY22 as physical store trading continued to recover, offsetting a material reduction in Wholesale dispatches. Retail revenue grew by 24.9%, reflecting both a strong recovery in stores, with more seasonal weather re-igniting strong demand for our outerwear. This was supported by a more strategic and well-executed Black Friday and end-of-season sale. Importantly, we saw a recovery in our Store sales beyond pre-Covid levels during a robust holiday trading period.

The Black Friday event, our first major promotion in nine months, pulled a high volume of traffic into our stores and onto our Ecommerce site and kickstarted the successful Christmas trading period after the unseasonal weather in October. Our post-Christmas Sale then cleared stock at attractive rates for our customers – on better margins than our alternative clearance channels – helping to reduce our excess inventory, whilst having a small impact on gross margin.

Wholesale has proved more challenging with revenue down 18.0% year-to-date, in part driven by the impact of shipment timings, some of which will reverse in the second half. However, there is still a Covid-related confidence lag in Wholesale, which we expect to close as our partners see how successful our AW22[1] range has performed through our own channels, giving them confidence to buy for future seasons.

We continued to deliver on our unit inventory reduction programme, with a further reduction from 12.4m at period end to 11.8m. As of 31 December 2022, the Company had £9.8m net debt[2], supported by solid holiday trading.

Gross margin for the 9 weeks is down 60 basis points on the prior year, largely driven by the continuing weakness in Wholesale along with the Black Friday and end-of-season clearance events.

Outlook

While the global macroeconomic outlook remains challenging, we have gained confidence from our recent robust retail performance and the strong demand for our brand across all geographies and platforms. We believe that our honest approach to high quality products for a great price has resonated well with consumers under pressure and we can see that reflected in our sales numbers. The more recent trading performance through the holiday period supports our view that the brand is resonating with consumers and continues to strengthen.

That said, we are mindful of the challenges facing the consumer as we head into 2023 and remain very cautious about the potential for a soft spring. s a management team we are taking action to seek costs savings initiatives to support our performance. When combined with current margin run-rates and the underperformance of our Wholesale division, we believe it appropriate to amend our adjusted profit before tax guidance to broadly breakeven (previously £10 – 20m).

Notes

1. Autumn/Winter22 defined as week 19, commencing 4 September 2022 through to week 44, commencing 26 February 2023.
2. 'Adjusted', 'Adjusting', Net working capital and 'Net (Debt)/Cash' are used as alternative performance measures ('APMs'). Definition of APMs and how they are calculated are disclosed in the financial statements in Note 18 and 22 'Net working capital' has been reconciled within the Finance Review.
3. Retail is a combination of both the Stores and Ecommerce segments.
4. Where commented upon, Full Price Mix is Net full price sales from full price channels, excluding mark-down product but including basket-building mechanics (e.g., 3 for 2 offers) as a proportion of total channel sales.

Market briefing

A webcast for analysts and investors will be held today starting at 9:00, followed by a Q&A with management. The webcast will be 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/superdry012. A recording of the event will also be available on our corporate website shortly afterwards.

A separate meeting with an opportunity for retail investors to ask questions will be held at 13:00 through the 'Investor Meets Company' platform, register here (https://www.investormeetcompany.com/superdry-plc/register-investor).

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Notes to Editors

Our mission is "To be the #1 sustainable style destination" through our distinct collections, defined by consumer style choices. We design affordable, premium quality clothing, accessories and footwear which are sold around the world. We have a clear strategy for delivering continued growth via a multi-channel approach combining Stores, Ecommerce, and Wholesale.

Superdry has 219 physical stores and around 450 franchisees and licensees. We operate in over 50 countries and have over 4,100 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.

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR").

CEO Review

Against a challenging national and global macroeconomic backdrop, the brand turnaround continues to gain momentum and I am pleased with the progress we have made in the first half of this year as we continue with our mission to make Superdry the '#1 Sustainable Style Destination'. Presenting our Autumn ranges early and with authority resulted in a successful lead on AW22[1] outerwear, and delivered strong results, notably in stores where we have seen footfall rising through the period and revenue up 14.3% in the first half, and on third party websites, where we are attracting new customers to the brand. Significantly, this trend has continued and in December we saw retail revenue above pre-Covid levels.

Our store revenue growth was greatest in the UK and the US, where the post-pandemic recovery has been fastest: up 19%. In some of our larger European markets, notably Belgium and Germany, the recovery hasn't been as quick, with revenue in Europe up only 6.7%. The growth in Ecommerce revenue slowed to 1.6% as consumers reverted to physical retail, but this trend was more than offset by the strong performance of our partner program, which has seen Zalando's total migration away from Wholesale and this partner platform also completed during the period.

Whilst we have seen a recovery in retail, our Wholesale business has declined by 5.2% during the period. This has been partly driven by the impact of shipment timings, some of which will reverse in the second half. However, there is still a Covid related confidence lag in Wholesale, which we expect to close as our partners see how successful our AW22[1] range has been through our own channels, giving them confidence to buy for future seasons.

The half-year adjusted loss before tax increased to £(13.6)m in the period, with a return to normal levels of rent and business rates, which was ahead of the sales recovery from OMICRON, particularly in the European markets.

Style and sustainability continue to be the overarching focus in everything we do. Reflecting this, we have simplified our mission further: "To be the #1 Sustainable Style Destination". To achieve this, we are continuing to focus on our four strategic objectives:

- Inspire through product & style
- Engage through social
- Lead through sustainability
- Strong operational foundations to 'Make it happen'.

Inspire Through Product & Style

We continue to deliver a high-quality branded product at great value, and this led to our AW22[1] collection being very well received, with outerwear delivering strong growth on last year's performance. This was by bringing in our comprehensive range of jackets earlier than last year left us well prepared for the early cold snap in September, which saw strong demand for our jackets.

The new product has also been successful on third party sites across Europe, where we know we reach new customers. This success is supporting additional conversations with potential third parties, as we seek to expand our brand awareness and our partner program further.

Our womenswear range, in particular our dress collection and teenage product, has excelled. This is due to a refreshed collection promoted through a well-targeted influencer marketing program. We are excited by the results, with both new and returning customers finding joy in our range, notably our new party dresses, which were a viral hit online in the months leading into the holidays. In addition, whilst traditionally not one of our strongest areas, this season's denim range has impressed with the category up 34%, driven by women's denim up 108% year-on-year.

Engage Through Social

We continue to expand our social media position to recruit new customers into the brand. Launched in September 2021, our Tiktok channel now has over 550k followers with over 4.1m likes across our videos. All our

Tiktok content is exclusively influencer generated, letting them do the talking for us. We direct over 60% of our social budget to generating content from our 2,670 influencers, resulting in organic content that is connecting with our customers where the conversation is happening; over 60 videos now have more than 1m views.

Our party dresses also worked well in viral videos, which helped drive sales up 31% for the category, a disruptive area for us and a key anchor as we recruit new and win-back lapsed customers.

Our AW22[1] jackets campaign did extremely well towards the end of the first half and beyond. We launched a comprehensive range early and lead with a strong push across both social and traditional marketing channels, helping deliver two of our biggest ever September sales weeks on Ecommerce.

Lead Through Sustainability

Our ambition to be the leading sustainable style destination starts with our product but continues through everything we do. We aim to move all our pure-cotton garments to organic cotton by 2025, and, on that journey, we are helping others with support for over 7,500 farmers - supplying a third of our organic cotton – during the first half. Our push to renewable energy also continues, with 91% of our retail stores, offices, and distribution centres powered by renewables, on track for our 100% target by 2025. During the period we continued to sell more sustainable garments than ever before, with 52% of sales in the half being sustainably sourced product, up from 32% in the prior period.

We continue to see improvement in our Carbon Disclosure Project rating, up from A- to A. Among our peers, we are the only brand to have improved our grade consistently each year for the last three years, and one of two British fashion brands on this year's 'A List'. When I joined, we were a C and through hard work and the determination of our talented teams, we've worked towards our Net Zero goal, which is now starting to be recognised by our customers.

We published our second Sustainability report in September 2022 which can be found on our Corporate Website (https://corporate.superdry.com/sustainability/sustainability-report/), this provides additional detail on everything we have committed to, achieved so far and ultimately challenged ourselves on.

Make it Happen

A key operational improvement during the period was the signing of our new financing facility, which we announced on 22 December. Our new facility is larger and covenant light, making it less complex to operate and more flexible, supporting our growth in the years ahead. In parallel, our finance team is working hard to make our business more efficient, making our cash cycle less volatile.

We continue to make changes in our organisation, welcoming Denise Posner as Marketing Director in July, and Tom Hutt as Head of Marketing Creative shortly afterwards. . The changes to our marketing strategy have been immediate and impactful, and I look forward to working with Denise and Tom to further drive improvements in our marketing impact and effectiveness. Given our renewed focus on wholesale, we have also expanded Craig McGregor's role from leading our Retail Stores to Global Commercial Director, additionally taking on leadership of our Wholesale business. Craig and I will work together to revisit our Wholesale model and explore new strategic partnerships and improve an area of our business which is currently underperforming. I aim to share more on this in the future as we develop and execute our strategy.

Our investment in migrating our Ecommerce platform over to microservices technology is now largely complete. Alongside this, we continue to invest in additional improvements in payment platforms and usability, improving the customer experience, whilst also investing in our back-end systems to deliver better, more accurate insights to support the running of the business.

Looking forward

While the global macroeconomic outlook remains challenging, we have gained confidence from our recent robust retail performance and the strong demand for our brand across geographies and platforms. I believe that our honest approach to great quality products for a great price has resonated well with consumers under pressure and we can see that reflected in our sales numbers.

Despite a more moderate profit delivery in the first half on account of the unseasonably warm weather experienced in October, the more recent trading performance through the balance of calendar 2022 supports our view that the brand is clearly resonating with consumers and continues to strengthen. This is further evidenced by our improved gross margin performance in retail where we have predominantly returned to a full-price stance whilst still seeing strong demand for our jackets and winter wear.

Financial Review

Group revenue increased 3.6% year-on-year to £287.2m, largely driven by the strong performance in our owned stores. Store sales increased 14.3% year-on-year to £117.7m as our collections resonated with consumers and we saw traffic shift back to physical retail and a normalisation in online revenue. Ecommerce increased 1.6% year-on-year to £63.3m, with the reversion in consumer behaviour somewhat offset by a step-up in performance on third party sites. Retail revenue (combined Stores and Ecommerce) ended the half up 9.5% year-on-year, which helped offset the decrease in Wholesale revenue of 5.2% year-on-year.

During H1 23, the gross margin decreased 3.1%pts year-on-year to 52.1% due to a higher mix of third-party sales within our Ecommerce channel, deferred wholesale price increases, and Wholesale clearance activity designed to continue our inventory reduction programme, all of which offset the improvements from returning to a full-price trading stance.

Our Adjusted Loss Before Tax of £(13.6)m was impacted by a return to normal rent business rates and other costs whilst the store business remained heavily impacted by Omicron, particularly in Europe and exacerbated by underperformance in Wholesale.

We enter into forward foreign exchange contracts to hedge the currency exposure on stock purchases. As these contracts mature, they offset FX gains or losses incurred in the gross margin in the current and future periods. During the first half we had realised gains of this nature of £10.3m (H1 22: £(1.3)m).

There is a further £6.9m (H1 22: £0.1m) of unrealised currency gains which results from the translation of our overseas foreign currency denominated assets and liabilities, and £4.1m of unrealised fair value loss due to the uncrystallised loss on foreign exchange forward contracts. This element will remain subject to currency fluctuations and could, therefore, reverse in the second half.

		H1 23 £m	Restated[1] H1 22 £m	Change %
Revenue:	Stores	117.7	103.0	14.3%
	Ecommerce	63.3	62.2	1.6%
	Wholesale	106.2	112.0	(5.2)%
Group revenue		**287.2**	**277.2**	**3.6%**
Gross profit:	Stores	80.3	71.7	12.0%
	Ecommerce	36.7	39.1	(6.1)%
	Wholesale	32.5	42.3	(23.2)%
Group profit		**149.5**	**153.1**	**(2.4)%**
Gross profit margin %		52.1%	55.2%	(3.1)%pts
Selling and distribution costs		(150.6)	(126.4)	19.1%
Central costs		(33.4)	(32.9)	1.5%
Impairment credit on trade receivables		0.1	2.0	100.0%
Adjusted other gains and (losses)		23.4	4.9	377.6%
Adjusted operating profit/(loss)*		**(11.0)**	**0.7**	**n/a**
*Adjusted operating margin**		-3.8%	0.3%	(4.1)%pts

Net finance expense		(2.6)	(3.5)	(25.7)%
Adjusted loss before tax*		**(13.6)**	**(2.8)**	**385.7%**
Adjusting items:				
Fair value movement on forward contracts		(4.1)	6.2	n/a
IFRS2 charge – Founder Share Plan		-	0.6	n/a
Total adjusting items		(4.1)	6.8	n/a
Profit/(Loss) before tax		**(17.7)**	**4.0**	**n/a**
Tax (expense)/credit		5.5	(1.5)	n/a
Profit/(Loss) for the period		**(12.2)**	**2.5**	**n/a**

* Adjusted operating loss, adjusted operating margin and adjusted loss before tax are defined as reported results before adjusting items as further explained in Note 22

Retail revenue ('Stores' and 'Ecommerce')

Retail revenue	H1 23 £m	H1 22 £m	Vs H1 22 %
Stores	117.7	103.0	14.3%
Ecommerce	63.3	62.2	1.6%
Total Retail revenue	**181.0**	**165.2**	**9.5%**
Ecommerce revenue as a proportion of Retail revenue	34.9%	37.7%	(2.7)%pts
Ecommerce revenue as a proportion of Group revenue	22.0%	22.4%	(0.4)%pts

Stores

Store revenue has increased 14.3% year-on-year to £117.7m, as consumers returned to physical retail, and we had a full half of open stores with no Covid-related closures.

The UK, Republic of Ireland and Rest of World, which relates to US stores, recovered strongly in the half, particularly in the US. Mainland Europe lagged the rest of our markets largely due to the delayed recovery to high street footfall post Covid, particularly in Belgium and Germany.

Store revenue by territory	H1 23 £m	H1 22 £m	Vs H1 22 %
UK and Republic of Ireland	63.0	53.0	18.9%
Mainland Europe	41.3	38.7	6.7%
Rest of World	13.4	11.3	19.5%
Total Store revenue	**117.7**	**103.0**	**14.3%**

We closed 5 stores in the half-year to H1 23 and opened 5 new stores in the UK, the Netherlands and Germany, ending the half with 219 stores in 11 countries. New openings in the period included a new flagship store at Battersea Power Station.

Ecommerce

Ecommerce has experienced a slower half because of the consumer shift back to physical retail, particularly in the UK. However, we have seen strong performance across third party channels, driving the year-on-year increase of 1.6% to £63.3m. We are encouraged by the performance and the continued progress made on product and our focus on digital improvements across our owned sites.

Third party channels include partner programme revenue, where Superdry fulfils the order placed on a partner website. In H1 23 the shift to 100% partner program with Zalando was completed and has been a significant driver in the success online, particularly across Europe which has increased 13.6% year-on-year.

Ecommerce revenue by territory	H1 23 £m	H1 22 £m	Vs H1 22 %
UK and Republic of Ireland	26.6	29.8	(10.7)%
Mainland Europe	33.5	29.5	13.6%
Rest of World	3.1	2.8	10.7%
Total Ecommerce revenue	**63.3**	**62.2**	**1.6%**

Wholesale

Our Wholesale partners, across mainland Europe particularly, have continued to suffer from build-up of inventory over the pandemic period, which has led to much lower levels of in-season sales than anticipated. Low levels of dispatches in the first half, particularly higher valued AW22[1] inventory, resulted in a decrease of revenue by 5.2% year-on-year.

Wholesale revenue by territory	H1 23 £m	H1 22 £m	Vs H1 22 %
UK and Republic of Ireland	16.2	10.7	51.4%
Mainland Europe	62.3	73.4	(15.1)%
Rest of World	27.8	27.9	(0.4)%
Total Wholesale revenue	**106.2**	**112.0**	**(5.2)%**

We had good growth in the UK and Republic of Ireland which worked to partially offset the decline in Mainland Europe. Growth in the UK was largely driven by additional clearance deals negotiated to continue the reduction in historical stock.

Gross Margin

As a result of the increased mix of third-party online sales, intake margin pressures, and lower gross margin in Wholesale as a result of the timing of price increases, total gross margin has decreased by 3.1%pts year-on-year to 52.1%.

We remain committed to our return to full price trading and in the first half saw full price mix[4] in our owned retail channels increase 4%pts year-on-year from 74% to 78%.

Gross margin by channel	H1 23	H1 22	Vs H1 22
Stores	68.2%	69.6%	(1.4)%pts
Ecommerce	58.1%	62.9%	(4.8)%pts
Retail	*64.7%*	*67.1%*	*(2.8)%pts*
Wholesale	30.6%	37.8%	(7.2)%pts
Total gross margin	**52.1%**	**55.2%**	**(3.1)%pts**

Total Operating Costs

	H1 23 £m	Restated[1] H1 22 £m	Vs H1 22 %
Selling and distribution costs	(150.6)	(126.4)	19.1%
Central costs	(33.4)	(32.9)	1.5%
Impairment credit on trade receivables	0.1	2.0	(95.0)%
Adjusted other gains and losses	23.4	4.9	377.6%
Total adjusted operating costs	**(160.5)**	**(152.4)**	**5.3%**
Net finance expense	(2.6)	(3.5)	(25.7)%
Adjusted loss before tax	**(13.6)**	**(2.8)**	-

Total adjusted operating costs increased 5.3% to £160.5m (H1 22: £152.4m) and includes store, distribution, marketing, head office, central and depreciation costs, impairment credit on trade receivables and adjusted other gains and losses. The balance is roughly in line with H1 22, despite our store estate being open for the full year as we returned to a more normalised way of working.

Selling and distribution costs increased £24.2m to £150.6m, largely due to increase in store overhead costs. The period marked a return to normalised cost levels following Covid related relief, with an unwind of the rent relief as well as a return to standard business rates. During the period, we also saw increases in our energy costs as well as wage inflation, with a pay rise to our store employees of 9%. Central costs have marginally decreased to £33.4m.

Adjusted other gains and losses, which include realised and unrealised FX gains, royalty income and other income, largely related to lease renegotiations under IFRS 16, were higher than in H1 22 £23.4m (H1 22: £4.9m), largely due to a £17.2m gain on foreign exchange.

Net finance costs were roughly in line with the prior year at £2.6m (H1 22: £3.5m). £2.0m (H1 22: £2.3m) relates to interest expense on leases under IFRS 16.

The adjusted loss before tax declined to £(13.6)m during the period, a £(10.8)m decline versus H1 22. Excluding the gain due to foreign exchange, adjusted loss before tax would have been £(30.8)m during the period.

Adjusting items

£m	H1 23	H1 22	Change
Adjusted loss before tax	(13.6)	(2.8)	385.7%
Fair value movement on forward contracts	(4.1)	6.2	(166.1)%
IFRS2 charge – Founder Share Plan	-	0.6	(100.0)%
Total adjusting items	(4.1)	6.8	(160.3)%
Statutory (loss)/profit before tax	(17.7)	4.0	(542.5)%

Adjusting items primarily relate to a £(4.1)m charge in respect of the fair value movement in financial derivatives (H1 22: £6.2m credit) which has been driven by the movement between the hedged rates and spot rates during the period and a number of outstanding contracts.

Adjusted Profit/Loss before tax

The adjusted loss before tax for the first half is £(13.6)m, a decrease of £10.8m from a loss of £(2.8)m in H1 22 and after the benefit of £17.2m from foreign exchange gains.

The statutory loss before tax is £(17.7)m, down from a profit of £4.0m in H1 22.

Taxation

The tax credit on losses is £5.5m (H1 21: £1.5m tax charge). As a result, the group recorded an effective tax rate of 25%.

Taken with the adjusted tax credit of £1.0m, the Group's total income tax credit of £5.5m represents a total effective tax rate of 31.2% which is greater than the UK statutory tax rate of 19%. The difference is driven by the effect of the increase in the UK corporation tax rate to 25% from 01 April 2023, the tax accounting impact of certain overseas tax losses for which no tax benefit has been recognised, and tax rate differentials in overseas subsidiaries.

Profit/Loss after tax

Group statutory loss after tax for the first half was £(12.2)m, compared to a £2.5m profit in H1 22.

Profit/Loss per share

Adjusted basic EPS is (11.2)p (H1 22: EPS (3.8)p).

Reported basic EPS is (15.0)p (H1 22: 3.0p) based on a basic weighted average of 81,380,288 shares (H1 22: 82,054,759 shares).

Adjusted diluted EPS is (11.2)p (H1 22: (3.8)p) and diluted EPS is (15.0)p (H1 22: 3.0p). These are based on a diluted weighted average of 85,754,749 shares (H1 22: 82,054,759 shares).

Dividends

The Board decided during the Covid pandemic that, given the uncertain macro-economic outlook, they would not recommend either final or interim dividends for the near-term. In addition, under the terms of our recent loan facility, the Company is restricted from declaring, making or paying dividends to shareholders without prior permission from Bantry Bay, which cannot be unreasonably withheld.

Cash Flow

We ended the half with £38.0m net debt as we entered our seasonal high point in cash use, coupled with a period of slower sales in October due to warmer weather. As noted in our 22 December update, our cash position has continued to improve on account of seasonal sales cycle and strong holiday trading, with net debt of £9.8m as of 31 December 2022.

Working Capital

£m	H1 23 £m	H1 22 £m	Change £m	Change %
Inventories	172.6	159.4	13.2	8.3%
Trade and other receivables	125.3	109.4	15.9	14.5%
Trade and other payables	(178.6)	(148.2)	(30.4)	20.5%
Net working capital	**119.3**	**120.6**	**(1.3)**	**(1.1%)**

Inventory units have decreased by another 2m to 12.4m units at the end of H1 23 as we continue with our targeted clearance activity of older stock. We are committed to reducing this further by the year-end through our focused reduction of the option count for each seasonal buy. By contrast, our inventory value increased during the period to £172.6m, up £13.2m year-on-year. This was mostly down to the high proportion of high-value jackets in the range which were drawn off later by wholesale partners and saw slower sales in October's warm weather before the sales rate increased into November and December.

Trade and other receivables have increased 14.5% to £125.3m in the current year due to timing of shipments, and later commitments from our Wholesale partners.

Trade and other payables have increased 20.5% to £(178.6)m largely due to timing of inventory shipments as we brought in orders early to ensure we could start our season with a full range.

As at the end of H1 23 £2.7m of deferred rent is included in trade and other payables (H1 22: £0.9m), with £7.5m of deferred rent in relation to IFRS 16 leases included within lease liabilities (H1 22: £8.2m).

Capital Expenditure

Additions in property, plant and equipment and intangible assets totalled £7.6m (H1 22: £9.0m), as the business focussed on existing IT infrastructure projects, including the re-platforming of our Ecommerce website to microservices.

Notes:

1. During the current financial year, the Group reclassified Net Gains/(Loss) on FX realised gains/(losses) on FX contract and unrealised gains from selling, general and administrative expense to Other gains and losses. This reclassification more appropriately reflects selling, general and administrative expenses. Prior financial year comparatives have been restated to align to the current financial year approach.

Principal risks and uncertainties

The principal risks and uncertainties were outlined in the 2022 Annual Report (pages 56-67). These have been reviewed and amended to ensure they are reflective of our existing risk profile and are assessed on an on-going basis.

Also, within the Annual Report, the CFO Review included an analysis of the actions taken to preserve the long-term financial position of Superdry and an Assessment of Group Prospects (page 73-75).

Specific principal risks and uncertainties include:

Damage may occur to the Superdry Brand, or the Brand may lose its resonance.

Superdry's ability to achieve success depends on setting a consumer centric and relevant commercial product strategy that is aligned to brand position, market dynamics and consumer perception

Compromise to our key technological / physical assets would significantly impede our ability to trade, particularly during the peak trading period from November to January. Key assets include Ecommerce platform, Distribution Centres, Critical IT Systems, Head Office and large stores.

Elevated stock levels represent a risk in terms of shortfall in cash flow and additional storage costs.

Performance across our global, omni-channel proposition represents a risk. Specifically:

- Retail store performance represents a risk and in line with market trends, the ongoing consumer preference shift towards digital shopping channels has seen declining consumer visits to stores and declining profitability in the physical retail environment. Covid-19 has accelerated the move towards digital, but the risk associated with retail remains at an elevated level with the threat of further lockdowns and additional Covid-19 measures, such as numbers of customers permitted in stores also impacting performance.
- Wholesale performance is at risk from a number of factors, including grey market distribution, an inability to meet the critical path and failing to deliver on time and in full to customers. Covid-19 continues to represent a risk in terms of our partners being able to trade and surplus stock levels where partners have return and cancel orders.
- Ecommerce performance represents a significant growth opportunity, however, represents a risk in terms of reliance on the channel to offset lost store sales in the short term and delivery of medium- and long-term business objectives. For example, we will be unable to achieve these objectives if the consumer is moving faster than we can adapt and that our Ecommerce platforms trail in the wake of competition.
- Failure to deliver on our growth aspirations in the Group's key future development markets, in particular, the USA could lead to investment without sufficient return in a reasonable timeframe and/or losses and the deployment of significant management resource at a time when we have multiple priorities.

Our financial results could be impacted by changes in exchange rates. In addition, given the size of our wholesale partners and associated order book, overdue debt will always represent a risk for the business.

Financial results are also at risk if the controls that operate within key financial systems are not operating effectively.

Significant cash inflows, for example, peak trading, do not align with the timing of peak outflows of cash. As such, there is a requirement to manage working capital within the business to ensure we have sufficient cash at all times. In addition, Covid-19 related store closures has put pressure on the cash balance, resulting in the need for close cash management.

We need to recruit, develop, and retain the calibre of leadership that will enable us to achieve our strategic goals.

There is a risk our information security is breached causing data and/or systems compromise. Covid-19 has exacerbated this risk and could impact our ability to trade, lead to regulatory scrutiny and fines and cause damage to the brand, e.g., loss of customer trust.

Failure by suppliers to adhere to our Ethical Trading Code of Practice could erode our reputation as a responsible brand. Customer enquiries on ethical trading continue to increase, awareness is also growing in line with the modern slavery and the fast fashion debate, and failure to demonstrate our credentials in this area could also lead to reputational damage.

Increased risk of human rights issues through the supply chain, as a result of changing local conditions, for example, Covid-19.

Awareness of environmental sustainability is increasing, and stakeholder expectations and regulatory attention are also developing at pace. Failure to meet expectations or adhere to regulatory standards would adversely impact our brand. A consequence of enhanced reporting is additional resource requirements.

These factors also represent a risk in that they could influence the rate the business may need to cut its carbon emissions and add additional cost to achieve environmental compliance (for example, raw materials and lower emission technologies).

In addition, the Group is heavily reliant on key raw materials which will be impacted by the effects of climate change in the long-term making them harder and more expensive to source.

A longer-term risk is shifting customer preferences as result of climate change, requiring the brand to adapt further.

Responsibility statement of the Directors in respect of the condensed consolidated interim financial information

On 26 January 2023 the Board of Directors of Superdry Plc approved this statement.

The Directors confirm that, to the best of their knowledge:

- The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the UK;

- The interim management report includes a fair review of the information required by:

    - DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated interim financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
    - DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last Annual Report that could do so.

The Directors of Superdry Plc are listed on the Board section of the Group website: www.corporate.superdry.com

On behalf of the Board of Directors:

Julian Dunkerton

Chief Executive Officer

26 January 2023

Preliminary Results for the 26 weeks ended 29 October 2022

Condensed Group Statement of Comprehensive Income for the 26 weeks ended 29 October 2022 (unaudited)

		H1 2023			H1 2022 (Restated)		
	Note	Adjusted* £m	Adjusting items (note 6) £m	Total £m	Adjusted* £m	Adjusting items (note 6) £m	Total £m
Revenue	5	287.2	-	287.2	277.2	-	277.2
Cost of sales		(137.7)	-	(137.7)	(124.1)	-	(124.1)
Gross profit		**149.5**	**-**	**149.5**	**153.1**	**-**	**153.1**
Selling, general and administrative expenses**		(184.0)	-	(184.0)	(159.3)	0.6	(158.7)
Other gains and losses (net)	6	23.4	(4.1)	19.3	4.9	6.2	11.1
Impairment credit on trade receivables		0.1	-	0.1	2.0	-	2.0
Operating (loss)/profit		**(11.0)**	**(4.1)**	**(15.1)**	**0.7**	**6.8**	**7.5**
Finance expense		(2.6)	-	(2.6)	(3.5)	-	(3.5)
(Loss)/Profit before tax	5	**(13.6)**	**(4.1)**	**(17.7)**	**(2.8)**	**6.8**	**4.0**
Tax credit/(expense)	8	4.5	1.0	5.5	(0.3)	(1.2)	(1.5)
(Loss)/Profit for the period		**(9.1)**	**(3.1)**	**(12.2)**	**(3.1)**	**5.6**	**2.5**
Attributable to:							
Owners of the Company		(9.1)	(3.1)	(12.2)	(3.1)	5.6	2.5
Other comprehensive expense/(income) net tax:							
Items that may be subsequently reclassified to profit or loss:							
Currency translation differences on translation of foreign operations		(7.1)	-	(7.1)	(1.1)	-	(1.1)
Total comprehensive (expense)/income for the period		**(16.2)**	**(3.1)**	**(19.3)**	**(4.2)**	**5.6**	**1.4**
Attributable to:							
Owners of the Company		(16.2)	(3.1)	(19.3)	(4.2)	5.6	1.4
				pence per share			pence per share
Earnings per share:							
Basic	16			(15.0)			3.0
Diluted	6			(15.0)			3.0

* Adjusted and adjusting items are defined in note 7.

** During the current financial year, the Group reclassified realised gains/(losses) on FX contract and unrealised gains from selling, general and administrative expense to Other gains and losses. This reclassification more appropriately reflects selling, general and administrative expenses. Prior financial year comparatives have been restated to align to the current financial year approach.

H1 2023 is the 26 weeks ended 29 October 2022 and H1 2022 is for 26 weeks ended 23 October 2021.

Condensed Group Balance Sheet as at 29 October 2022

	Note	Unaudited H1 23 £m	Unaudited H1 22 £m	Audited FY22 £m
ASSETS				
Non-current assets				
Property, plant and equipment	11	19.9	28.1	22.4
Right-of-use assets	13	68.1	95.1	80.2
Intangible assets	12	44.8	41.8	42.3
Deferred tax assets		73.2	54.8	66.3
Derivative financial instruments	19	0.9	0.2	0.9
Total non-current assets		**206.9**	**220.0**	**212.1**
Current assets				
Inventories		172.6	159.4	132.7
Trade and other receivables		125.3	109.4	117.5
Derivative financial instruments	19	8.9	4.1	8.9
Current tax receivables		-	3.8	-
Cash and bank balances	18	27.8	44.1	20.5
Total current assets		**334.6**	**320.8**	**279.6**
LIABILITIES				
Current liabilities				
Borrowings	18	65.8	48.0	21.5
Trade and other payables		178.6	148.2	129.2
Current income tax liabilities		3.9	-	4.0
Provisions for other liabilities and charges		2.4	4.7	4.7
Derivative financial instruments	19	4.6	2.5	0.5
Lease liabilities		58.1	66.1	66.1
Total current liabilities		**313.4**	**269.5**	**226.0**
Net current assets		**21.9**	**51.3**	**53.6**
Non-current liabilities				
Trade and other payables		6.4	1.3	2.6
Provisions for other liabilities and charges		5.5	8.4	7.2
Deferred income tax liabilities		0.4	-	-
Derivative financial instruments	19	-	0.1	-
Deferred liabilities		0.7	1.0	0.8
Lease liabilities		128.9	168.5	151.2
Total non-current liabilities		**141.9**	**179.3**	**161.8**
Net assets		**86.2**	**92.0**	**103.9**
EQUITY				
Share capital	15	4.1	4.1	4.1
Share premium		149.2	149.2	149.2
ESOP Reserve		(2.0)	-	(2.0)
Translation reserve		(8.7)	5.5	(1.6)
Merger reserve		(302.5)	(302.5)	(302.5)
Retained earnings		246.1	235.7	256.7
Total equity		**86.2**	**92.0**	**103.9**

Condensed Group Cash Flow Statement for the 26 weeks ended 29 October 2022 (unaudited)

	Note	H1 23 £m	H1 22 £m
Cash (used in)/generated from operating activities	9	**(7.5)**	**12.5**
Tax payment		(0.8)	(2.3)
Net cash (used in)/generated from operating activities		**(8.3)**	**10.2**
Cash flow from investing activities			
Purchase of property, plant and equipment		(2.0)	(5.0)
Purchase of intangible assets		(5.6)	(4.0)
Net cash (used in) investing activities		**(7.6)**	**(9.0)**
Cash flow from financing activities			
Repayment of ABL facility		(121.5)	-
Draw down on borrowings		155.0	20.6
interest paid		(2.6)	(3.5)
Repayment of leases – principal amount		(30.7)	(40.0)
Net cash generated from/(used in) financing activities		**0.2**	**(22.9)**
Net (decrease) in cash and cash equivalents	18	**(15.7)**	**(21.7)**
Cash and cash equivalents at beginning of period	18	**17.4**	**38.9**
Exchange gains/(losses) on cash and cash equivalents	18	12.2	(0.5)
Cash and cash equivalents at end of period	18	**13.9**	**16.7**
Which made up of:			
Cash and bank balances		**27.8**	**44.1**
Overdraft		**(13.9)**	**(27.4)**

* Net Cash and Cash Equivalents includes overdraft

Condensed Group Statement of Changes in Equity for the 26 weeks ended 29 October 2022 (unaudited)

Group	Note	Share capital £m	Share premium £m	ESOP share reserve £m	Translation reserve £m	Merger reserve £m	Retained earnings £m	Total equity £m
Balance at 30 April 2022		**4.1**	**149.2**	**(2.0)**	**(1.6)**	**(302.5)**	**256.7**	**103.9**
Comprehensive expense		-	-	-	-	-	-	-
Loss for the period		-	-	-	-	-	(12.2)	(12.2)
Other comprehensive income		-	-	-	-	-	-	-
Currency translation differences		-	-	-	(7.1)	-	-	(7.1)
Total other comprehensive income/(expense)		**-**	**-**	**-**	**(7.1)**	**-**	**-**	**(7.1)**
Total comprehensive income /(expense) for the period		**-**	**-**	**-**	**(7.1)**	**-**	**(12.2)**	**(19.3)**
Transactions with owners								
Shares issued	15	-	-	-	-	-	-	-
Employee share award schemes		-	-	-	-	-	1.6	1.6
Dividend payments	10	-	-	-	-	-	-	-
Total transactions with owners		**-**	**-**	**-**	**-**	**-**	**1.6**	**1.6**
Balance at 29 October 2022		**4.1**	**149.2**	**(2.0)**	**(8.7)**	**(302.5)**	**246.1**	**86.2**

Condensed Group Statement of Changes in Equity for the 26 weeks ended 23 October 2021 (unaudited)

to the members of Superdry plc

Group	Note	Share capital £m	Share premium £m	ESOP share reserve £m	Translation reserve £m	Merger reserve £m	Retained earnings £m	Total equity £m
Balance at 24 April 2021		**4.1**	**149.2**	**-**	**6.6**	**(302.5)**	**233.0**	**90.4**
Comprehensive expense								
Profit for the period		-	-	-	-	-	2.5	2.5
Other comprehensive income								
Currency translation differences		-	-	-	(1.1)	-	-	(1.1)
Total other comprehensive income/(expense)		**-**	**-**	**-**	**(1.1)**	**-**	**-**	**(1.1)**
Total comprehensive income/(expense)for the period		**-**	**-**	**-**	**(1.1)**	**-**	**2.5**	**1.4**
Transactions with owners								
Shares issued	15	-	-	-	-	-	-	-
Employee share award schemes		-	-	-	-	-	0.2	0.2
Dividend payments	10	-	-	-	-	-	-	-
Total transactions with owners		**-**	**-**	**-**	**-**	**-**	**0.2**	**0.2**
Balance at 23 October 2021		**4.1**	**149.2**	**-**	**5.5**	**(302.5)**	**235.7**	**92.0**

Condensed Group Statement of Changes in Equity for the 53 weeks ended 30 April 2022 (audited)

to the members of Superdry plc

Group	Note	Share capital £m	Share premium £m	ESOP share reserve £m	Translation reserve £m	Merger reserve £m	Retained earnings £m	Total equity £m
Balance at 24 April 2021		**4.1**	**149.2**	**-**	**6.6**	**(302.5)**	**233.0**	**90.4**
Comprehensive expense								
Profit for the period		-	-	-	-	-	22.7	22.7
Other comprehensive income								
Currency translation differences		-	-	-	(8.2)	-	-	(8.2)
Total other comprehensive income/(expense)		**-**	**-**	**-**	**(8.2)**	**-**	**-**	**(8.2)**
Total comprehensive income/(expense) for the period		**-**	**-**	**-**	**(8.2)**	**-**	**22.7**	**14.5**
Transactions with owners								
Shares issued		-	-	-	-	-	-	-
ESOP shares acquired		-	-	(2.0)	-	-	-	(2.0)
Employee share award schemes		-	-	-	-	-	1.0	1.0
Dividend payments		-	-	-	-	-	-	-
Total transactions with owners		**-**	**-**	**(2.0)**	**-**	**-**	**1.0**	**(1.0)**
Balance at 30 April 2022		**4.1**	**149.2**	**(2.0)**	**(1.6)**	**(302.5)**	**256.7**	**103.9**

Notes to the Group Financial Statements

1. Basis of preparation

General information

The Company is a public company limited by shares incorporated in the United Kingdom under the Companies Act and is registered in England and Wales. The condensed interim financial information ("interim financial information") of Superdry Plc for the 26 weeks ended 29 October 2022 ("October 2022") comprise the company and its subsidiaries (together referred to as "the Group"). The prior comparative period is for the 26 weeks ended 23 October 2021 ("October 2021").

a) Basis of preparation

This interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The Group statutory financial statements for the 53 weeks ended 30 April 2022 ("April 2022") are available upon request from the company's registered office at Superdry Plc, Unit 60, The Runnings, Cheltenham, Gloucestershire, GL51 9NW or www.corporate.superdry.com.

This interim financial information has been prepared in accordance with IAS 34 "Interim Financial Reporting" as UK adopted international accounting standards and the requirements of the Disclosures and Transparency Rules. They do not include all of the information required for full annual financial statements and should be read in conjunction with the Group financial statements as at and for the 53 weeks ended 30 April 2022 ("Group Annual Report FY22), which have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the United Kingdom and companies act 2006. This interim financial information was approved by the Board of Directors on 26 January 2022.

The comparative figures for April 2022 are extracted from the Group's statutory accounts for that financial year. Those accounts have been reported on by the company's auditor and delivered to the registrar of companies.

The report of the auditor (i) was unqualified; (ii) did not drawn attention to any matters by way of emphasis; and (iii) did not contain statements under section 498(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.

The financial information in this interim financial information document is neither audited nor reviewed by the auditor.

This interim financial information has been prepared under the going concern basis. The Group directors have a reasonable expectation that the Group has 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. Accordingly, the financial statements continue to be prepared on the going concern basis.

2. Significant accounting policies

The accounting policies adopted are consistent with those of the previous financial period (see Annual Report for the year ended 30 April 2022). Whilst the financial statements were prepared on a going concern basis, the going concern accounting refers to a material uncertainty at the date the financial statements were approved, arising from the expiry of the ABL facility in January 2023. On the basis that a replacement facility has now been negotiated as described below, the directors consider there is no longer a material uncertainty in relation to going concern, although the business will continue to monitor liquidity closely, particularly during the working capital peak ahead of the Christmas trading period where headroom is likely to remain tight for a short period.

A loan facility of up to £80m, including a £30m term loan, for three years with an option to extend for one further year was agreed, with specialist lender Bantry Bay Capital Limited[1]. This replaces the previous up to £70m Asset Based Lending Facility which was due to expire on 31 January 2023. The interest rate SONIA[2] + 7.5% on the drawn element. The revised facility is covenant light, providing flexibility to navigate the current challenging macro-economic environment and continue to focus on driving our brand strategy forward.

Notes

1. Bantry Bay Capital Limited is a specialist lender which provides supportive debt capital solutions to corporates in periods of growth and other change. Bantry Bay focuses on asset-based financings for private and publicly listed companies across a wide array of industries, working with clients to provide the foundations for stability and growth.
2. The Sterling Overnight Interbank Average Rate (SONIA) is the effective overnight interest rate paid by banks for unsecured transactions in the British sterling market.

The Group has not adopted any new accounting standards in the period. Other changes to accounting standards in the period had no material impact.

3. Key sources of estimation uncertainty and critical judgements in applying the Group's accounting policies

The preparation of interim financial information 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.
In preparing this interim financial information, unless stated otherwise, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation were the same as those that applied to the consolidated financial statements for the 53 weeks ended 30 April 2022 (as set out on pages 162 to 165 of the Group Annual Report FY22). These were as follows:

- Store impairment estimates;
- Onerous property related contracts provisions;
- Recoverability of trade debtors;

- Attributing Ecommerce sales and costs to stores;
- Store impairment judgements;
- Determination of Adjusting items.

4. Seasonality of operations

Due to the seasonal nature of the Retail segment, higher revenues and operating profits are usually expected in the second half of the year under normal trading conditions. This weighting of higher revenues in the second half of the year is a consequence of the brand's strength in cooler weather categories, such as outerwear, which also carry higher average selling prices. Operating profits therefore benefit from operating cost leverage, particularly in the Group's stores. Wholesale seasonality is more evenly spread across the year.
In the financial period ended 30 April 2022, 45.5% of total revenues accumulated in the first half of the year, with 54.5% in the second half. This corresponded to (12.8)% of adjusted profit before tax in the first half of the year and 112.8% in the second half.

5. Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker ("CODM").' As per Prior year interim accounts. 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 described in note 1. Gross profit is the measure reported to the Group's CODM 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 at a point in time.

Segmental information for the business segments of the Group for H1 23 and H1 22 is set out below. The 'Retail' subtotal of the 'Stores' and 'Ecommerce' segments presented below is considered useful additional information to the reader.

H1 23 segmental analysis (unaudited)	Stores £m	Ecommerce £m	Retail subtotal £m	Wholesale £m	Central costs £m	Group £m
Total segment revenue	117.7	63.3	181.0	194.7	-	375.7
Less: inter-segment revenue	-	-	-	(88.5)	-	(88.5)
Revenue from external customers	**117.7**	**63.3**	**181.0**	**106.2**	**-**	**287.2**
Gross profit	**80.3**	**36.7**	**117.0**	**32.5**	**-**	**149.5**
Profit/(loss) before tax			**(12.9)**	**11.9**	**(16.7)**	**(17.7)**

The segment measure of profit required to be presented under IFRS 8 Segments is gross profit/(loss). Profit/(loss) before tax has been presented as an additional profit measure which is considered to provide useful information to the reader. Certain costs have not been allocated between the Stores and Ecommerce segments in both the current and prior period.

The following additional information is considered useful to the reader:

H1 23 segmental analysis (unaudited)	Adjusted* items £m	Adjusting items £m	Reported £m
Revenue			
Retail	181.0	-	181.0
Wholesale	106.2	-	106.2
Total revenue	**287.2**	**-**	**287.2**
Operating (loss)			
Retail	(7.8)	(3.2)	(11.0)
Wholesale	12.9	(0.9)	12.0
Central costs	(16.1)	-	(16.1)
Total operating (loss)	**(11.0)**	**(4.1)**	**(15.1)**

Profit/(loss) before tax	(13.6)	(4.1)	(17.7)
Retail	(9.7)	(3.2)	(12.9)
Wholesale	12.8	(0.9)	11.9
Central costs	(16.7)	-	(16.7)
Total (loss) before tax	**(13.6)**	**(4.1)**	**(17.7)**

* Adjusted is defined as reported results before adjusting items and is further explained in note 22.

The (£4.1m) adjusting items in the Retail and Wholesale segments relate to the fair value of forward exchange contracts, as disclosed further in note 7.

H1 22 segmental analysis (unaudited)	**Stores £m**	**Ecommerce £m**	**Retail subtotal £m**	**Wholesale £m**	**Central costs £m**	**Group £m**
Total segment revenue	103.0	62.2	165.2	187.8	-	353.0
Less: inter-segment revenue	-	-	-	(75.8)	-	(75.8)
Revenue from external customers	**103.0**	**62.2**	**165.2**	**112.0**	**-**	**277.2**
Gross profit	**71.7**	**39.1**	**110.8**	**42.3**	**-**	**153.1**
Profit/(loss) before tax			**12.5**	**26.2**	**(34.7)**	**4.0**

The following additional information is considered useful to the reader:

H1 22 segmental analysis (unaudited)	**Adjusted* Items £m**	**Adjusting items £m**	**Reported £m**
Revenue			
Retail	165.2	-	165.2
Wholesale	112.0	-	112.0
Total revenue	**277.2**	**-**	**277.2**
Operating profit			
Retail	10.2	4.5	14.7
Wholesale	24.5	1.7	26.2
Central costs	(34.0)	0.6	(33.4)
Total operating profit	**0.7**	**6.8**	**7.5**
Profit/(loss) before tax			
Retail	8.0	4.5	12.5
Wholesale	24.5	1.7	26.2
Central costs	(35.3)	0.6	(34.7)
Total (loss)/profit before tax	**(2.8)**	**6.8**	**4.0**

* Adjusted is defined as reported results before adjusting items and is further explained in note 22.

The £0.6m adjusting item in the Central segment is in relation to the Founder Share Plan. The £6.2m adjusting items in the Retail and Wholesale segments relate to the unrealised fair value of forward exchange contracts, as disclosed further in note 7.

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

	Unaudited H1 23 £m	Unaudited H1 22 £m
External revenue – UK	105.8	93.5
External revenue – Europe	137.0	141.6
External revenue – Rest of World	44.4	42.1
Total external revenue	**287.2**	**277.2**

Included within non-UK external revenue is £65.2m (H1 22: £59.6m) generated by our overseas subsidiaries.

The total of non-current assets, other than deferred tax assets, located in the UK is £79.9m (H1 22: £75.7m), and the total of non-current assets located in other countries is £53.8m (H1 22: £89.5m).

6. Other gains and losses (net)

The below adjustments are disclosed separately in the Group statement of comprehensive income and are applied to the reported (loss) before tax to arrive at the adjusted (loss) before tax.

Group	Unaudited H1 23 £m	Restated Unaudited H1 22 £m
Realised gains on foreign exchange contracts	10.3	(1.3)
Unrealised gains on foreign exchange	6.9	0.1
Net Gains on foreign exchange excluding unrealised fair value (loss)/gain on foreign exchange forward contracts*	17.2	(1.1)
Unrealised fair value (loss)/gain on foreign exchange forward contracts	(4.1)	6.2
Royalty income	3.4	3.0
Lease modifications and terminations	2.0	10.8
Lease termination: Settlement Fee	-	(8.1)
Other income	0.8	0.4
Total other gains and losses	19.3	11.1

*During the current financial year, the Group reclassified realised gains/(losses) on FX contracts and unrealised gains on FX from selling, general and administrative expense to Other gains and losses. This reclassification more appropriately reflects selling, general and administrative expenses. Prior financial year comparatives have been restated to align to the current financial year approach.

The unrealised fair value loss on foreign exchange forward contracts of £4.1m (H1 22: £6.2 gain) has been treated as an adjusting item, see note 7. Hedge accounting is not applied by the Group to these financial instruments.

Royalty income relates to wholesale royalty agreements. Other income in both financial years includes rent and profit from the sales of fixtures and fittings to franchisees.

Lease modifications and terminations relate to lease renegotiations under IFRS 16, which resulted in reducing both the lease liability and the right-of-use asset. As the adjustment exceeded the carrying value of the right-of-use asset, this excess has been recognised as a gain in profit or loss.

7. Adjusting items

The adjustments below are disclosed separately in the Group statement of comprehensive income and are applied to the Reported (Loss) before tax to arrive at the Adjusted (Loss) before tax. Further information about the determination of adjusting items in financial year 2023 is included in note 22.

	Unaudited H1 23 £m	Unaudited H1 22 £m
Adjusting items		
Unrealised (loss)/ gain on financial derivatives	(4.1)	6.2
IFRS 2 (charge)/credit on Founder Share Plan	-	0.6
Total adjusting items	**(4.1)**	**6.8**
Taxation		
Deferred tax on adjusting items	1.0	(1.2)
Total taxation	**1.0**	**(1.2)**
Total adjusting items after tax	**(3.1)**	**5.6**

Adjusting items before tax in the period totalled a net loss of (£4.1m) in the year (H1 22: £6.8m gain).

Unrealised (loss)/gain on financial derivatives

A £4.1m charge has been recognised in respect of the fair value movement in financial derivatives (H1 22: £6.2m credit).

IFRS 2 charge on Founder Share Plan

The IFRS 2 charge of £nil (H1 22: £0.6m credit) in respect of the Founder Share Plan is also included within adjusting items. The scheme ended on 31st January 2022.

8. Tax expense/(credit)

The Group's income tax credit for H1 23 is £5.5m (H1 22: £1.5m income tax charge).

The Group's tax credit of £1.0m on adjusting items of £4.1m represents an effective tax rate of 25%.
Taken with the adjusted tax credit of £1.0m, the Group's total income tax credit of £5.5m represents a total effective tax rate of 31.2% for the period (H1 22: 37.5%).

The Group's total effective tax rate of 31.2% is higher than the statutory rate of tax of 19%. This is primarily due to the effect of the UK corporation tax rate change to 25% from 01 April 2023, the tax accounting impact of certain overseas losses for which no tax benefit has been recognised and tax rate differentials in overseas subsidiaries.

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

	Unaudited H1 23 £m	Unaudited H1 22 £m
(Loss)/Profit before tax	**(17.7)**	**4.0**
(Loss)/Profit multiplied by the standard rate in the UK – 19.0% (H1 22: 19.0%)	(3.3)	0.8
Expenses not deductible for tax purposes	0.3	1.2
Fixed asset differences	0.4	-
Uncertain tax position	-	0.5
Overseas tax differentials	1.3	1.4
Deferred tax not recognised	(2.1)	(2.5)
UK rate change on CY movement	(2.1)	-
Adjustment in respect of prior periods	-	0.1
Total tax (credit)/expense	**(5.5)**	**1.5**

9. Note to the cash flow statement

Reconciliation of operating profit to cash generated from operations

	Note	Unaudited H1 23 £m	Unaudited H1 22 £m
Operating (loss)/profit		**(15.1)**	**7.5**
Adjusted for:			
• Unrealised Loss/(gain) on derivatives	7	4.1	(6.2)
• Depreciation of property, plant and equipment and right-of-use assets	11,13	20.9	19.3
• Amortisation of intangible assets	12	3.9	3.8
• Loss on disposal of property, plant and equipment		(0.2)	-
• Lease modifications		(2.0)	(10.3)
• IFRS 16 Covid-19 rent concessions		0.1	(1.3)
• Decrease in onerous property related contracts provision (net of releases on exited stores)		(3.4)	(2.8)
• Decrease in other provisions		(0.2)	-
• IFRS 2 Charges – FSP		-	(0.6)
• Employee share award schemes		1.8	0.4
• Net foreign exchange (gains)/loss		(16.8)	1.2
• Write down of inventory		1.4	1.0
• Net impairment (credit) of trade receivables		(0.1)	(2.0)
Operating cash flow before movements in working capital		**(5.6)**	**10.6**
Changes in working capital:			
• (Increase) in inventories		(41.0)	(12.3)
• (Increase) in trade and other receivables		(5.7)	(5.8)
• Increase in trade and other payables and provisions		44.8	20.0
Cash (used in)/generated from used in operating activities		**(7.5)**	**12.5**

10. Dividends

The Board decided during the Covid pandemic that, given the uncertain macro-economic outlook, they would not recommend either final or interim dividends for the near-term. In addition, under the terms of our recent loan facility, the Company is restricted from declaring, making or paying dividends to shareholders without prior permission from Bantry Bay, which cannot be unreasonably withheld.

11. Property, plant and equipment

Movements in the carrying amount of property, plant and equipment in the period to H1 23 were as follows:

	Land and buildings £m	Leasehold improvements £m	Furniture, fixtures and fittings £m	Computer equipment £m	Total £m
NBV at 30 April 2022 (Audited)	**4.1**	**7.7**	**8.5**	**2.1**	**22.4**
Additions	-	0.5	1.4	0.1	2.0
Disposals	-	-	0.1	-	0.1
Depreciation Charge	-	(4.9)	(2.1)	(0.5)	(7.5)
Exchange Differences	-	2.5	0.4	-	2.9
Net book value at 29 October 2022 (Unaudited)	**4.1**	**5.8**	**8.3**	**1.7**	**19.9**

12. Intangible assets

Movements in the carrying amount of intangible assets in the period to H1 23 were as follows:

	Trademarks £m	Website and software £m	Distribution agreements £m	Goodwill £m	Total £m
NBV at 30 April 2022 (Audited)	**2.1**	**17.7**	**1.8**	**20.7**	**42.3**
Additions	0.1	5.5	-	-	5.6
Disposals	-	-	-	-	-
Amortisation charge	(0.2)	(3.7)	-	-	(3.9)
Exchange differences	-	-	0.4	0.4	0.8
Net book value at 29 October 2022 (Unaudited)	**2.0**	**19.5**	**2.2**	**21.1**	**44.8**

13. Leases

Right-of-use assets

	Right-of-use asset H1 23 £m	Right-of-use asset H1 22 £m
NBV as at 30 April 2022 (Audited)	**80.2**	**91.1**
Additions	1.3	33.8
Disposals	(0.1)	(15.8)
Lease modifications	-	(1.0)
Depreciation charge	(13.4)	(13.1)
Exchange rate difference	-	0.1
Net balance sheet amount at 29 October 2022 (Unaudited)	**68.1**	**95.1**

14. Contingencies and commitments

Contingent liabilities

The Company is party to an unlimited cross guarantee over all liabilities of the Group.
The Group has contractual agreements with third party wholesale agents which include a right for the wholesale agent to be indemnified when the contract is terminated. These future indemnity amounts are held as contingent liabilities until the contract is terminated, at which point they are held as provisions or accruals. The value of future obligations for contracts which have not yet been terminated (and have no defined end date) is £3.3m (H1 22: £3.4m).

15. Equity securities

39,576 ordinary shares of 5p each were authorised, allotted and issued in the period under the Superdry Plc Share based Long Term Incentive Plans, Save As You Earn and Buy As You Earn schemes.

16. Earnings per share

	Unaudited H1 23 £m	Unaudited H1 22 £m
Earnings		
(Loss)/Profit for the period attributable to owners of the Company	(12.2)	2.5
	No.	**No.**
Number of shares at period-end	81,399,763	82,109,706
Weighted average number of ordinary shares – basic	81,380,288	82,054,759
Effect of dilutive options and contingent shares	4,374,461	2,386,732
Weighted average number of ordinary shares – diluted	85,754,749	84,441,491
Basic earnings per share (pence)	(15.0)	3.0
Diluted earnings per share (pence)	(15.0)	3.0

Adjusted earnings per share

	Unaudited H1 23 £m	Unaudited H1 22 £m
Earnings		
Adjusted profit/(loss) for the period attributable to the owners of the Company	(9.1)	(3.1)
	No.	**No.**
Weighted average number of ordinary shares – basic	81,380,288	82,054,759
Weighted average number of ordinary shares – diluted	81,380,288	82,054,759
Adjusted basic earnings per share (pence)	(11.2)	(3.8)
Adjusted diluted earnings per share (pence)	(11.2)	(3.8)

On 29 October 2022, 4,374,461 (23 October: 2,386,732) share options were outstanding that could potentially dilute basic EPS. These are antidilutive when the Group is in a loss-making position, so have not been included in the EPS calculations where this is the case.

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

17. Balances and transactions with related parties

Transactions with Directors

Directors of the Group within the period and their immediate relatives control 24.1% (H1 22: 20.7%) of the voting shares of the Group. There have been no material transactions in the period with related parties, including Directors.

During the reporting period, the Group has spent £0.1m (H1 22: £0.1m) on travel and subsistence through companies in which Julian Dunkerton has a personal investment. The balance outstanding at 29 October 2022 was £nil (2021: £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 at a rate that is not on an arm's-length basis. Rental charges for these properties during the year were £0.1m (H1 22: £0.1m). The balance outstanding at 29 October 2022 was £nil (H1 22: £nil).

18. Net cash/(debt)

Analysis of net cash – October 2022 (unaudited)	30 April 2022 £m	Cash flow £m	Non-cash changes £m	29 October 2022 £m
Cash and bank balances	20.5	(4.9)	12.2	27.8
Overdraft	(3.1)	(10.8)	-	(13.9)
Cash and cash equivalents	**17.4**	**(15.7)**	**12.2**	**13.9**
ABL Facility	(18.4)	(33.5)	-	(51.9)
Net debt	**(1.0)**	**(49.2)**	**12.2**	**(38.0)**

	Group			
Analysis of net cash – October 2021 (unaudited)	**24 April 2021 £m**	**Cash flow £m**	**Non-cash changes £m**	**23 October 2021 £m**
Cash and bank balances	38.9	5.7	(0.5)	44.1
Overdraft	-	(27.4)	-	(27.4)
Cash and cash equivalents	**38.9**	**(21.7)**	**(0.5)**	**16.7**
ABL Facility	-	(20.6)	-	(20.6)
Net cash/(debt)	**38.9**	**(42.3)**	**(0.5)**	**(3.9)**

Non-cash changes relate to exchange gains on cash and cash equivalents.

Short-term borrowings

The Group had up to a net £10m uncommitted overdraft facility which has no financial covenants and is included within the cash pooling arrangements.

The Group had an Asset Backed Lending facility (ABL facility) for up to £70m, which end in January 2023. The borrowing base varied throughout the year depending on the level of the Group's eligible inventory and receivables. As at half-year end, £60.4m was reported to HSBC as being available to borrow based on eligible inventory and receivables in October 2022. The ABL facility with HSBC and BNPP had a drawn balance of £51.9m as at 29 October 2022.

A new loan facility of up to £80m, including a £30m term loan, for three years with an option to extend for one further year was agreed, with specialist lender Bantry Bay Capital Limited[1]. This replaces the previous up to £70m Asset Based Lending Facility which was due to expire on 31 January 2023. The interest rate SONIA[2] + 7.5% on the drawn element. The revised facility is covenant light, providing flexibility to navigate the current challenging macro-economic environment and continue to focus on driving our brand strategy forward.

Notes

1. Bantry Bay Capital Limited is a specialist lender which provides supportive debt capital solutions to corporates in periods of growth and other change. Bantry Bay focuses on asset-based financings for private and publicly listed companies across a wide array of industries, working with clients to provide the foundations for stability and growth.
2. The Sterling Overnight Interbank Average Rate (SONIA) is the effective overnight interest rate paid by banks for unsecured transactions in the British sterling market.

The bank overdraft balance represents individual overdrawn balances within the Group's cash-pooling arrangements. These had been disclosed gross in line with the requirements of IAS 32. Financial instruments: Presentation. The Group has a net overdraft facility with HSBC Bank plc. Gross overdrafts at 29 October 2022 amounted to £13.9m.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

19. Financial risk management

The 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 condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group Annual Report FY22. There have been no changes in the risk management department or in any risk management policies since the year end.

Liquidity risk

Compared to the year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 29 October 2022 and 23 October 2021.

			Unaudited H1 23			**Unaudited H1 22**
	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	-	9.8	-	-	4.3	-
Liabilities						
Derivative financial instruments						
• Forward foreign exchange contracts	-	(4.6)	-	-	(2.6)	-

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 29 October 2022.
There were no transfers between levels during the period.
The fair value of the following financial assets and liabilities is approximate to their carrying amount:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables
- Borrowing
- Lease liabilities

20. Government assistance

The Group received government support within the UK and EU territories during the prior year in response to the COVID-19 pandemic. This included: deferring tax payments; obtaining reductions in business rates from the UK government; seeking compensation for lost revenue and subsidies to cover fixed costs; and placing staff on furlough during the periods of store closures.

Furlough support across all territories of £nil was recognised in the half-year (H1 22: £0.2m), through the UK's Coronavirus Job Retention Scheme (CJRS) and equivalent schemes in other countries. A provision was recognised in FY22 to cover any existing furlough related clawbacks. This provision now totals £1.1m (H1 22: £1.7m).

Lost revenue and subsidy support in the UK and other territories of £0.1m has been recognised in the period (H1 22: £0.7m).

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 costs in selling, general and administrative expenses.

21. Post balance sheet events

On 22 December Superdry announced that it has agreed a loan facility of up to £80m, including a £30m term loan, for three years to January 2026 with an option to extend for one further year, with specialist lender Bantry Bay Capital Limited. This will replace the existing up to £70m Asset Based Lending Facility which was due to expire at the end of January 2023. Given market conditions, the interest rate will be higher than our previous agreement at SONIA + 7.5% on the drawn element. The revised facility is operationally less complex to manage and covenant light, giving the necessary flexibility to navigate the current challenging macro-economic environment and continue to focus on driving the brand strategy forward.

22. 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 adjusted basis. Results on an adjusted basis are presented before adjusting items.

The APMs used these consolidated interim statements are adjusted operating profit and margin, adjusted profit/(loss) before tax, adjusted tax expense and adjusted effective tax rate, adjusted 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.

Adjusting items

The Group's statement of comprehensive income and segmental analysis separately identify adjusted results before adjusting items. The adjusted results are not intended to be a replacement for the IFRS results. The Directors believe that presentation of the Group's results in this way provides stakeholders with additional helpful analysis of the Group's financial performance. This presentation is consistent with the way that financial performance is measured by management and reported to the Board and the Executive Committee. It is also consistent with the way that management is incentivised. In determining whether events or transactions are treated as adjusting items, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence. Adjusting items are identified by virtue of their size, nature or incidence.

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

- 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);
- Asset impairment charges and onerous lease provisions;
- 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 adjusting items. In previous reporting periods "Adjusting items" were described as "Exceptional and other items".

Adjusting items in this period

The following items have been included within ‘‘Adjusting items’’ for the period ended 29 October 2022:

<u>Fair value re-measurement of foreign exchange contracts – Financial years H1 23, FY22 and H1 22</u>

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 adjusting items due to both their size and nature. The size of the movement on the fair value of the contracts is dependent 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.

<u>Founder Share Plan (‘‘FSP’’) – IFRS 2 charge – in financial years H1 23, FY22 and H1 22</u>

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 adjusting items for the prior 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. While the charge is spread over a few financial years, the plan is a one-time scheme. Accordingly, the IFRS 2 charge in respect of the FSP is an adjusting 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 regarding 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. The scheme ended in January 2022, with none of the vesting criteria met, there is no expense in the 6 months to October 2022.

Adjusted operating profit/(loss) and margin

In the opinion of the Directors, adjusted operating profit and margin are measures which seek to reflect the performance of the Group that will contribute to long-term sustainable profitable growth. The Directors focus on the trends in adjusted operating profit and margins, and they are key internal management metrics in assessing the Group's performance. As such, they exclude the impact of adjusting items. Although the Group is currently making an adjusted operating loss, adjusted operating profit and margin remain key metrics monitored by management given the Group's intention to return to profitability.
A reconciliation from operating profit/(loss), the most directly comparable IFRS measure, to the adjusted operating profit/(loss) and margin is set out below.

	H1 23 £m	H1 22 £m	FY 22 £m
Reported revenue	287.2	277.2	609.6
Operating (loss)/profit	(15.1)	7.5	25.9
Adjusting items	4.1	(6.8)	4.0
Adjusted operating (loss)/profit	(11.0)	0.7	29.9

	H1 23	H1 22	FY 22
Operating margin	(5.3)%	2.7%	4.2%
Adjusted operating margin	(3.8)%	0.3%	4.9%

Adjusted profit/(loss) before tax

In the opinion of the Directors, adjusted (loss)/profit before tax is a measure which seeks to reflect the performance of the Group that will contribute to long-term sustainable profitable growth. As such, adjusted (loss)/profit before tax excludes the impact of adjusting 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. In previous reporting periods "Adjusted (loss)/profit before tax" was described as "Underlying (loss)/profit before tax".

This is a measure used within the Group's incentive plans. Refer to the Remuneration Report in the Group Annual Report FY22 for explanation of why this measure is used within incentive plans.

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

	H1 23 £m	H1 22 £m	FY 22 £m
Loss/profit before tax	(17.7)	4.0	17.9
Adjusting items	4.1	(6.8)	4.0
Adjusted (loss)/profit before tax	(13.6)	(2.8)	21.9

Adjusted tax expense and adjusted effective tax rate

In the opinion of the Directors, adjusted tax expense is the total tax charge for the Group excluding the tax impact of adjusting items. Correspondingly, the adjusted effective tax rate is the adjusted tax expense divided by the adjusted (loss)/profit before tax. For interim reporting purposes, we categorise the prior year items and specific other balances as discrete items, in the calculation of our adjusted effective tax rate.
A reconciliation from tax expense, the most directly comparable IFRS measures, to the adjusted tax expense is set out below:

	H1 23 £m	H1 22 £m	FY 22 £m
Adjusted (loss)/profit before tax	(13.6)	(2.8)	21.9
Tax credit/(expense)	5.5	(1.5)	4.8
Adjusting items – tax impact	(1.0)	1.2	3.0
Adjusted tax credit/(expense)	4.5	(0.3)	7.8
Adjusted effective tax rate	(33.1)%	10.7%	35.6%

Adjusted EPS

In the opinion of the Directors, adjusted earnings per share is calculated using basic earnings, adjusted to exclude adjusting items net of current and deferred tax. See note 16 for the Group's adjusted EPS.

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. Net cash and cash equivalents is used to define the net cash/(debt) position excluding short and long-term loans. See note 17 for the Group's net cash/(debt) position. This position is exclusive of financial liabilities in relation to IFRS 16.