SuperdryPlc

("Superdry" or "the Company")

7 October 2022

Preliminary Results for the 53 weeks ended 30 April 2022

Return to profitability

Good progress on strategic objectives

Superdry announces its Preliminary results covering the 53-week period from 25 April 2021 to 30 April 2022 ("FY22") and a trading update covering the 22-week period from 1 May 2022 to 1 October 2022. Unless otherwise stated, the below comparisons are on a 53-week vs 52-week period.[1]

- Return to profitability with adjusted profit before tax of £21.9m (FY21: loss of £(12.6)m).
- Statutory profit before tax of £17.9m (FY21: loss of £(36.7)m).
- Total revenue increased 9.6% to £609.6m year-on-year, largely as a result of lapping enforced store closures and lifting of restrictions in our key markets.
- Gross margin improved 350bps year-on-year to 56.2%, a reflection of our full-price strategy.
- Encouraging start to FY23, particularly Autumn/Winter trading.
- Inventory units reduced by 2.6m year-on-year to 12.4m units, a total reduction of nearly 5m since FY19.
- As at 1 October 2022 the Company had £(38.9)m net debt, driven by catch up payments for Covid-related rents.
- Our Asset Backed Lending facility expires at the end of January 2023; positive ongoing discussions with lenders.

	Full Year		
£m	FY22	FY21	Vs FY21
Group Revenue[1]	£609.6m	£556.1m	9.6%
Gross Margin[1]	56.2%	52.7%	3.5%pts
Adjusted profit/(loss) before tax[2]	£21.9m	£(12.6)m	n/a
Adjusting items[2]	£(4.0)m	£(24.1)m	(83.4)%
Statutory profit/(loss) before tax	£17.9m	£(36.7)m	n/a
Adjusted basic earnings/(loss) per share[2]	36.3p	(19.4)p	n/a
Basic earnings/(loss) per share	27.7p	(44.0)p	n/a
Net working capital[2]	£121.0m	£124.1m	(2.5)%
Net (debt)/cash position[2]	£(1.0)m	£38.9m	n/a

Strategic and operational highlights

- Spring/Summer22[3] sell-through up 16%pts year-on-year, driven by performance in dresses and shirts.
- All 21 Superdry branded websites have migrated to our new microservices platform, allowing us to enhance our online opportunity.
- Influencer army has grown by over 2,000 to 2,349 at the end of FY22.
- TikTok channel, which launched in September 2021, has reached over 450k[4] followers in less than one year, with over 22m video views.
- CDP rating (environmental performance) increased to A-, the fourth consecutive year of improvement.
- 47% of product volume purchased in the financial year sustainably sourced[5] (up 14%pts year-on-year).
- In FY22, 40% of all garments contained organic, recycled, and low impact fibres including Tencel, Hemp, Yak or Linen which drove 46% of revenue, an increase of 11%pts year-on-year.

- Continued drive to improve store profitability with 55 lease negotiations completed in FY22 at an average reduction of 45%.

Julian Dunkerton, Chief Executive Officer, said:

"These are exceptional times for retail and for the economy more generally, and like all brands we're having to work harder than ever to drive performance. Against that backdrop, I am pleased that we managed to return the business to full-year profit, driven by increased full price sales, whilst also making strong strategic progress. I'm proud of the strides our team has made, delivering great product while also making a step-change in our social and digital capabilities and real progress towards our sustainability objectives.

"Superdry is a premium, affordable, brand, which should mean we are well-positioned as customers think more carefully about their purchases. That said, given the current challenging conditions, we continue to run the business prudently while remaining focused on delivering our strategic goals."

Current Trading[6]

The table below shows year-on-year revenue growth across our channels for the 22-week period to 1 October 2022:

Revenue change (%)	vs FY22
Group revenue	7.0%
By channel:	
Stores	14.3%
Ecommerce	4.5%
Retail	*10.7%*
Wholesale	1.6%

We are experiencing the sector-wide trends of traffic moving away from online and back to stores, a partial reversal of trends seen through the pandemic, although store footfall has still not fully recovered to pre-Covid levels. Encouragingly, and despite the present consumer backdrop, performance across Retail has strengthened since the launch of Autumn Winter ranges.

Wholesale revenue has increased year-on-year due to earlier shipments of AW22 season product. This has been particularly encouraging given we know our partners continue to work through higher levels of residual stock as a result of the pandemic.

Gross margin for the 22 weeks is down 230 basis points on the prior year, largely driven by expected intake margin pressures and some changes to channel mix.

Outlook

We remain cautious about the near future as we continue to face a challenging macroeconomic environment, high levels of inflation, and the potential impact of these on consumer spending patterns. We also highlight the importance of refinancing our Asset Backed Lending facility which expires at the end of January 2023. However, we continue to make good progress across our strategic pillars and we believe these initiatives will help to offset some of that potential risk.

We have maintained good inventory availability across the Group, despite predicted supply chain issues, which has allowed us to launch our AW22 season in line with our expectation. We expect revenues to continue to recover throughout FY23, although still not reaching pre-pandemic levels.

Increasing cost inflation, exacerbated by the conflict in Ukraine, is likely to put pressure on operating margins across each of our territories. The Group has taken action to hedge energy costs, with the majority of UK energy fixed until Summer 2024 and the remaining European requirement fixed until the end of December 2022, but expects to see inflation across other areas of the cost base. We expect to deliver an adjusted profit before tax of between £10m and £20m in FY23.

Notes

1. The trading numbers for week 53 are equivalent to £9.7m Group Revenue and £5.7m Group Gross Margin. A table excluding the impact of the extra week has been included below:

	Full Year		
£m	FY22	FY21	YoY
Group Revenue	£599.9m	£556.1m	7.9%
Gross Margin	56.2%	52.7%	3.5%pts

2. 'Adjusted', 'Adjusting' 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 22. 'Net working capital' has been reconciled within the CFO Review.
3. Spring/Summer22 defined as week 49, commencing 28 March 2022 through to week 17, commencing 22 August 2022.
4. TikTok following taken as at 30 September 2022.
5. Sustainably sourced product defined as organic, low impact and/or recycled in line with our Environmental Policy.
6. Please note that current trading includes flash reported trade numbers for the weeks 19, beginning 4 September 2022 to week 22, ending 1 October 2022.
7. For additional information:

	FY22	*FY 21*	*FY 20*
Lost trading days	4%	*39%*	*10%*

   'Lost trading days' calculated as the simple average number of stores closed each day of the period as a percentage of total potential trading days in the period, excludes impact of restricted trading hours.

8. Net full price sales from full price channels, excluding mark-down product but including basket-building mechanics (e.g., 3 for 2 offers).

Market Briefing

A webcast for analysts and investors will be held today starting at 09:00, 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/superdry011. A recording of the event will also be available on our corporate website shortly afterwards.

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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 220 physical stores and around 475 franchisees and licensees. We operate in over 50 countries and have over 4,000 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.

Chair's Statement

Welcome to Superdry's preliminary results for FY22, my first full year as Chair of Superdry plc.

FY22 has been another challenging year, with an evolving global macroeconomic back-drop as Superdry continues to make progress on the strategy, which was shared in our FY21 Annual Report and Accounts. Throughout FY22, the Board has overseen, in partnership with the Executive Committee and senior leadership team, the embedding and execution of this strategy, as well as ensuring resources are allocated in the right areas to enable the Group to withstand further disruption arising from the Covid-19 pandemic and the impact of emerging geopolitical and economic uncertainty.

Superdry delivered a resilient financial performance in FY22. Retail store revenues recovered and were up 62.6% from FY21; however, footfall has not yet returned to pre-pandemic levels. Ecommerce trading decreased, reflecting both channel shift back to physical retail, and the impact of reduced promotional activity. Managing our inventories and returning to a healthy balance between full price and off price has resulted in an increase in retail gross margin of 6.3%pts. Our Wholesale channel grew in revenue terms by 5.5%. Our focus has been to deliver quality, style and sustainability to our customers, at excellent value, in order to restore the Superdry brand to a premium position. Alongside this, work has continued on tightly managing our cash flows and we have continued to re-gear retail store leases, wherever possible.

Our Asset Backed Lending Facility of up to £70m is due to expire at the end of January 2023, although current projections suggest the Group will remain cash positive throughout most of the first half of the calendar year. We have had positive discussions with prospective lenders but at this point we have not yet secured committed funding beyond January. The Directors acknowledge that, until these discussions conclude, a material uncertainty exists around the going concern of the Group, although we remain confident of a positive outcome.

Our ongoing response to the Covid-19 pandemic

The Covid-19 pandemic continued to impact our operations, with lockdowns once again being enforced in the United Kingdom and the European Union, forcing store closures and a return to remote working for head office colleagues at the end of November 2021. Our supply chains were impacted in India, Turkey and China as Omicron cases rose, resulting in delays which required careful management to avoid disruption to our customers. We reinstated our Incident Management Team to monitor events and once again prioritised the health and safety of our people, our customers and our suppliers.

Strategic deliverables and prioritising digital and technology projects

During FY22, the Executive Committee and senior leadership considered and agreed the key deliverables of our strategic plan, which was updated by the Board in March 2022. Two of our most important strategic initiatives are to 'Provide a leading consumer experience' and to 'Use technology to accelerate our plans'. To enable those, we have invested and will continue to invest in technology and digital projects. The Board established a Technology Committee in July 2021 to guide and monitor the modernisation and enhancement of our Ecommerce sites and the replacement of our core merchandising system.

Executive Committee appointments

Two important appointments were made to our Executive Committee in FY22. In November 2021, Cathryn Petchey was appointed Global People Director and Matt Horwood was appointed Chief Technology Officer.

Environmental, social and governance matters

Our mission is 'To be the #1 sustainable style destination' and we believe that actions speak louder than words, delivering on projects that will positively impact the environment and our colleagues. Superdry is proud of its sustainability commitments and projects. In December 2021 Superdry was awarded an A- grade by environmental impact disclosure agency, CDP. For the last four consecutive years, Superdry has improved its CDP grading, demonstrating the pledges we have made to sustainability and to the transparent reporting of our impact on the environment.

In March 2022, the Remuneration Committee approved a Group pay award of 3.5% for UK head office and retail management, effective from 1 May 2022 (save for the Executive Committee where a 2% increase was approved). In July 2022, the Board approved changes to its Board Diversity and Inclusion Policy, setting enhanced gender and ethnicity Board composition targets.

One of the underpins of our strategic pillars is Great Governance, and we have focussed in FY22 on enhancing the quality of One of our strategic pillars is Great Governance, and we have focussed in FY22 on enhancing the quality of information flows between the Board and the Executive Committee and on our wider organisational governance – the controls, policies, procedures, training and culture that support governance.

Board evaluation

In April and May 2022, an independent externally facilitated Board and Committee evaluation was performed. The outcomes of that review were discussed by the Board and have been used not only to set Board objectives for FY23, but to prompt wider discussions about Board balance and composition to ensure that the Board continues to be effective, diverse and that the right skills are in place to support the Executive Committee as it continues to implement the strategy.

Looking to the future: a challenging macroeconomic environment

The challenges emerging from the war in Ukraine and from the energy crisis, impacting household incomes and consumer confidence, alongside the threat of a global recession, are set to dominate FY23. Inflationary pressures and the subsequent impact on consumer spending were building throughout FY22 and continued into FY23 and show no signs of abating. These pressures are not unique to Superdry and there is uncertainty about how this will impact demand for our products globally. We believe that our resilience during FY22 has given Superdry a foundation on which to withstand these pressures, as we continue to focus on delivering our strategy and our Five-Year Plan.

Annual General Meeting

Our AGM is on Monday 31 October 2022 at our head office in Cheltenham. As announced on 5 October 2022, due to the timing of our preliminary results and publication of the Annual Report and Accounts, the AGM will cover routine business only. Certain resolutions which usually form part of the business of the AGM, will instead form part of the business of a separate general meeting of shareholders which is expected to take place in November 2022. Please see our Notice of AGM at corporate.superdry.com.

Faisal Galaria has announced his intention to step down at this year's AGM and I would like to thank Faisal on behalf of the Board and Superdry for his work as a Non-Executive Director.

Reappointment of auditor

During the year, Deloitte LLP advised the Company that they intended to step down as its auditor, following the completion of the audit of the Group's results for the 53 weeks ended 30 April 2022. In light of this, the Audit Committee initiated a process to find a new auditor, inviting expressions of interest from a number of audit firms. We expect to confirm the outcome of that process in due course.

Dividend

A final dividend has not been proposed for FY22 and an interim dividend has not been paid.

Thank you Superdry

I want to take this opportunity to extend my thanks to all of my colleagues at Superdry for their continued commitment and work, and especially to our retail store colleagues, who represent our brand with great customer service every day, and for whom the past two years have been really tough.

Peter Sjölander
Chair, Superdry plc

Chief Executive Officer's Statement

The last two years have caused unimaginable levels of disruption and uncertainty, with Omicron hitting at a critical sales period in FY22.

However, reflecting on the challenging environment we have been in since my return, I am proud of the progress we are making against the strategic initiatives we set out in our Annual Report last year and of the continued resilience our team have shown.

I am particularly pleased that we ended the year having delivered £21.9m adjusted profit before tax and £17.9m statutory profit before tax, an increase of £34.5m and £54.6m respectively year-on-year, as we saw the reopening of our store estate due to the easing and lifting of restrictions, and our commitment to a full-price trading stance, even as we contend with the macroeconomic headwinds. In line with the rest of the sector, we are mitigating some of this impact through selective product price rises in our Autumn/Winter22 and Spring/Summer23 collections as well as introducing delivery charges for online orders.

Our Asset Backed Lending facility, of up to £70m, is due to expire at the end of January 2023. Although we are in positive discussions with prospective lenders, we have not yet secured committed funding beyond this point. Until these discussions conclude, we recognise there is a material uncertainty around the going concern of the Group, but remain confident on the prospect of a favourable outcome.

In the FY21 Annual Report I introduced our new strategy. Since then, we have continued to have style and sustainability as the overarching focus in everything we do. Reflecting this, we simplified and refined our mission statement: 'To be the #1 sustainable style destination.' To achieve this, our four strategic objectives remain unchanged:

- Inspire through product & style
- Engage through social
- Lead through sustainability
- All underpinned by strong operational foundations to 'Make it happen'.

Inspire through product

The achievement I am particularly proud of this year has been our move back to a full price trading stance. That has meant significantly reduced sale activity in stores since summer 2021 and limited markdown activity online, helping us to rebuild the premium position of the brand, and driving our Retail gross margin up 630bps to 67.9% in FY22 versus FY21. We believe this is the right strategic move for the brand as we focus on high-quality and sustainable profitability.

Our AW21 collection was our first opportunity to fully showcase our new customer experience in stores. We saw improvements across several key categories, particularly longline jackets and skirts, driving womenswear mix up

+4%pts versus the pre-pandemic period two years ago. We will continue to replicate this customer experience digitally as we embed our new microservices platform. We saw continued progress in SS22, the first season of FY23, with the sell-through performance improving 16%pts year-on-year, with particular success seen in dresses and shirts.

Engage through social

Our marketing investment has increased this year with our influencer and affiliate army growing from 272 in FY21 to 2,349 this year, focused on our target demographic of under-25-year-old consumers.
A further highlight has been the great traction of our TikTok channel, which had grown from zero to over 270k followers by the end of FY22. Our videos have received over 22m views and our content reached over 33m followers, connecting with the younger demographic.

For FY22 we introduced a new KPI, 'Brand Heat', to provide a measure of Superdry's resonance among consumers, which we believe is an indication of how well the strategic initiatives, particularly digital, are working. We have been pleased to see an increase of 3% year-on-year, as we continue to focus on reinvigorating the brand.

Lead through sustainability

Last year I said we had a clear path on how we were going to improve our CDP Rating to an A, and I'm proud to say that this year we achieved an A-.

Sustainability continues to sit at the heart of the business, especially our sourcing. We remain committed to our goal of converting 20,000 farmers in India to organic practices and using 100% organic cotton in our garments by 2025. As at the end of FY22, we have invested in training to convert 7,508 farmers, up from 5,684 last year and donated over 65m organic cotton seeds. In addition, 47% of our purchased product volume across AW21 and SS22 was sustainable (up 14% year-on-year). In SS22, 99% of our swimwear was converted to recycled materials, with 50.4m recycled bottles used to produce both SS22 swimwear and our AW21 and SS22 outerwear jacket fill.

Vintage sections have been introduced into some of our stores, including the Oxford Street flagship, as well as our 'Recycled' and Ringspun collections which focus on circularity and the importance of how many times an item can be worn, not just the sustainable materials used to make it.

Make it Happen

Our Executive team was strengthened further by two new hires, Matt Horwood, our Chief Technology Officer, and Cathryn Petchey, our Global People Director. Both bring a wealth of knowledge and experience that will be invaluable to delivering our strategy.

The most important technology project this year has been the move of our website from a legacy platform to microservices. As of August 2022, all our websites were live on the new platform and we will continue to invest in the customer experience to enhance our online opportunity.

Another key area of focus since I returned has been reducing the amount of inventory in the business, and in FY22, despite the challenging environment, we reduced the number of units by a further 2.6m year-on-year to 12.4m units, taking the total reduction to nearly 5m units since the end of FY19.

In summary

It has been another challenging year, but I am proud of the resilience shown by all our teams across the business. While the lasting impacts of Covid-19 on a volatile market has been exacerbated by the war in Ukraine, the cost-of-living pressures on consumers, and continued inflationary pressures across the supply chain, we continue to focus on making better choices for a better future and have made good progress against each of our key strategic pillars and are excited for our future plans.

Although we remain cautious on the macroeconomic outlook and the impact of inflation, we are confident that our strategy is positioning the brand for future success.

CFO Review

Group revenue increased by 9.6% year-on-year to £609.6m, largely driven by restrictions lifting in our key markets as we lapped enforced store closures. The reopening of the store estate and our commitment to a full price stance helped us to report an adjusted profit before tax of £21.9m, the first adjusted profit the business has made since before the pandemic. FY22 includes a non-cash gain of 12.6m (FY21: £0.5m gain), largely in relation to revaluation of foreign currency assets. The statutory profit before tax is £17.9m, an increase of £54.6m from the £(36.7)m loss in FY21.

FY22 was a 53-week period and the additional week accounted for £9.7m of revenue and gross profit of £5.7m. While we recognise that, under normal circumstances, comparisons on an equivalent 52-week basis would be appropriate, given the disruption from Covid-19 we do not believe the impact is material enough for readers to misinterpret our results, therefore the below FY22 figures use 53-week numbers, unless otherwise stated.

		FY22	FY21	Change
		£m	£m	%
Revenue	Stores	228.4	140.5	62.6%
	Ecommerce	155.7	201.8	(22.8%)
	Wholesale	225.5	213.8	5.5%
Group Revenue		609.6	556.1	9.6%
Gross profit:	Stores	161.9	93.6	73.0%
	Ecommerce	99.0	117.5	(15.7)%
	Wholesale	81.7	82.0	(0.4)%
Gross profit		342.6	293.1	16.9%
Gross profit margin %		56.2%	52.7%	(3.5)%pts
Selling and distribution costs		(273.6)	(258.7)	5.8%
Central costs		(57.9)	(62.9)	(7.9)%
Impairment credit on trade receivables		1.8	3.8	(52.6)%
Other gains and losses		17.0	19.3	(11.9)%
Adjusted operating profit/(loss)		29.9	(5.4)	n/a
Adjusted operating margin		4.9%	(1.0)%	(5.9)%pts
Net finance (expense)/income		(8.0)	(7.2)	11.1%
Adjusted profit/(loss) before tax		21.9	(12.6)	n/a
Adjusting items:				
	Fair value movement on forward contracts	13.7	(4.7)	n/a
	IFRS 2 charge – Founder Share Plan	0.6	(0.5)	n/a
	Restructuring and strategic costs	-	(1.0)	n/a
	Intangibles write off	-	(2.1)	n/a
	OLP and impairment charges	(18.3)	(15.8)	15.8%
Total adjusting items		(4.0)	(24.1)	(83.4)%
Profit/(loss) before tax		**17.9**	**(36.7)**	**n/a**
Tax credit		4.8	0.6	700.0%
Profit/(loss) for the period		**22.7**	**(36.1)**	**n/a**

Stores

Revenue increased 62.6% year-on-year to £228.4m as we lapped enforced store closures and restrictions were lifted in our key markets. However even though the stores were able to trade for the majority of the year and store days lost were only 4% in FY22 vs 39% in FY21, footfall remained suppressed throughout the period, not returning to pre-pandemic levels.

The total store footprint remained roughly in line with FY21, with 11 net store closures (FY21: 10 net store closures), bringing the year-end number to 220 stores (FY21: 231) in 12 different countries. We do not anticipate any material changes in the overall size of the store estate going forward, but will continue to assess opportunities and necessary store closures as they arise.

Store Revenue by Territory	FY22 £m	FY21 £m	Change
UK and Republic of Ireland	123.7	57.4	115.5%
Europe	76.5	64.6	18.4%
Rest of World	28.2	18.5	52.4%
Total Store revenue	**228.4**	**140.5**	**62.6%**

Ecommerce

Ecommerce revenue, a combination of sales made through our owned websites and those made online through third parties, as a percentage of Retail revenue (defined as the combined total of Store and Ecommerce revenues) has decreased by (18.5)% to 40.5% in FY22. This reflects both the shift back to physical trading, after a period of heightened online trading while stores were shut, as well as reduced online promotional activity, which have together contributed to a decrease of (22.8)% in Ecommerce revenue year-on-year.

Retail revenue	FY22 £m	FY21 £m	Change
Stores	228.4	140.5	62.6%
Ecommerce	155.7	201.8	(22.8)%
Total Retail revenue	**384.1**	**342.3**	**12.2%**
Ecommerce revenue as a proportion of Total Retail revenue	**40.5%**	**59.0%**	**(18.5)%**
Ecommerce revenue as a proportion of Group revenue	**25.5%**	**36.3%**	**(10.8)%**

At the end of the year, Superdry had 21 branded websites, translated into 13 languages (FY21: 21, 13) and worked with 30 online third-party partners where we fulfilled orders (FY21: 32).

Ecommerce Revenue by Territory	FY22 £m	FY21 £m	Change
UK and Republic of Ireland	76.8	109.1	(29.6)%
Europe	69.0	78.0	(11.5)%
Rest of World	9.9	14.7	(32.7)%
Total Ecommerce revenue	**155.7**	**201.8**	**(22.8)%**

Wholesale

The majority of our Wholesale revenue is generated in Europe, which suffered prolonged disruptions from Covid-19 due to the timing of relaxation of social distancing measures. This led to an increased level of stock carried forward for our partners. Despite this, we are pleased that Wholesale revenue was up 5.5% year-on-year, at £225.5m.

At the end of the year, the Group had Wholesale operations in 53 countries (FY21: 53), including 452 franchise stores (FY21: 448) and 27 Superdry branded license stores (FY21: 27).

Wholesale Revenue by Territory	FY22 £m	FY21 £m	Change
UK and Republic of Ireland	23.6	31.0	(23.9)%
Europe	148.8	140.9	5.6%
Rest of World	53.1	41.9	26.7%
Total Wholesale revenue	**225.5**	**213.8**	**5.5%**

Gross Margin

A key element of our strategy – and a highlight for FY22 profitability – has been our move towards a full-price trading stance. The full-price sales mix for Retail has increased 26%pts[8], driving an increase in total gross margin of 350bps to 56.2% year-on-year. In addition, the higher mix of Store revenue has also had a positive impact on the overall gross margin. There has been a slight decline in wholesale margin driven by product mix and some wholesale clearance activity driven by the stock reduction programme.

Gross Margin by channel	FY22 £m	FY21 £m	Change
Stores	70.9%	66.6%	4.3%pts
Ecommerce	63.6%	58.2%	5.4%pts
Total Retail Gross Margin	*67.9%*	*61.6%*	*6.3%pts*
Wholesale	36.2%	38.4%	(2.1)%pts
Total Gross Margin	**56.2%**	**52.7%**	**3.5%pts**

Total Operating Costs

	FY22 £m	FY21 £m	Change
Selling and distribution costs	(273.6)	(258.7)	5.8%
Central costs	(57.9)	(62.9)	(7.9)%
Impairment credit on trade receivables	1.8	3.8	(52.6)%
Other gains and losses	17.0	19.3	(11.9)%
Total operating costs pre-adjusting items	**(312.7)**	**(298.5)**	**4.8%**

Total operating costs, pre-adjusting items, increased 4.8% to £312.7m (FY21: £298.5m) and includes store, distribution, marketing, head office, central and depreciation costs, impairment credit/(losses) on trade receivables and other gains and losses.

Selling and distribution costs increased by £14.9m, largely due to the return of property rates payments which totalled £12.4m, (FY21: £2.1m) as the government rates holiday came to an end. The other primary driver was an increase in payroll of £8.3m as stores reopened, furlough support stopped, and staff hours began to normalise to pre-pandemic levels. In addition, there was a strategic decision to increase marketing spend as we worked to improve engagement with a younger demographic using brand and performance marketing, and a greater volume of travel and corporate activity as social distancing restrictions began to relax. There has been continued focus to improve efficiencies within distribution to partially offset the above costs.

Central costs have reduced by £5.0m, largely due to a non-cash £12.6m gain (FY21: £0.5m gain) recognised on revaluation of foreign currency assets in the year, particularly as a result of the movement in the US Dollar. Central costs, excluding the impact of FX, increased to £(70.6)m (FY21: £(62.4)m) in line with normalisation of costs post-Covid.

Reflecting the steady rate of collections against our debtor book, we recognised a £1.8m impairment credit on trade receivables (FY21: £3.8m).

Within the above costs, there has been a small reduction in depreciation and amortisation, the majority of which sits in selling and distribution costs, of £4.7m to £48.7m, largely as a result of the diminished net asset balance from prior year impairments.

Other gains and losses pre-adjusting items (which include royalty income and other income, largely related to lease renegotiations under IFRS 16) were £17.0m (FY21: £19.3m), a decrease of (11.9)%. In the prior year there was a significant accounting gain of £14.3m, compared to £16.8m in FY22. Also included are the net exit costs of Regent Sreet, £8.1m.

Other gains and losses pre-adjusting items	FY22 £m	FY21 £m	Change
Royalty income	7.2	4.2	71.4%
Lease modification and terminations	16.8	14.3	17.5%
Lease termination: Settlement fee	(8.1)	-	n/a
Other income	1.1	0.8	37.5%
Total other gains and losses pre-adjusting items	**17.0**	**19.3**	**(11.9)%**

Leases

As disclosed in previous years, most of our leases meet the requirements to be accounted for under IFRS 16 'Leases'. Where leases are turnover rent only or expire within 12 months, they are outside the scope of the standard. In FY22, only £4.4m (FY21: £5.6m) is recognised within Store costs for the gross rental charge on these leases.

In the current year, prior to the end of the practical expedient under IFRS 16 in relation to Covid-19-related rent concessions, we recognised a £4.4m (FY21: £7.7m) credit in Store costs within the Group Profit and Loss for one-off rent savings in relation to 82 leases:

	FY22		FY21		Change	
Lease category	# Leases	One-off saving	# Leases	One-off saving	# Leases	One-off saving
Leases under IFRS 16	69	3.7	62	4.0	7	(0.3)
Leases not recognised under IFRS 16	13	0.7	15	1.9	(2)	(1.2)
No lease payment due to Covid-related closures (not IFRS 16)	-	-	5	1.8	(5)	(1.8)
Total operating costs pre-adjusting items	**82**	**4.4**	**82**	**7.7**	**-**	**(3.3)**

Rent payments to landlords during FY22 totalled £71.7m (FY21: £45.4m). The figure was higher in the current year as a result of £15.7m rent deferrals which were paid (FY21: £24.0m total deferral). As at the end of the year we have £8.2m remaining rent deferrals which we expect to settle in the next year or to crystallise as permanent waivers.

At the end of FY22, we had renewed a total of 55 store leases, out of a store base of 220, for an average lease commitment of three years at an average reduction of 45%. We anticipate achieving this level of reduction across the remainder of the portfolio.

As a reminder, for leases which are recognised under IFRS 16, the benefit of future lease modifications will be seen in the Group Profit and Loss through a reduction in depreciation and interest payments and in the Cash Flow Statement through a reduction in lease payments. In some cases where the lease liability exceeds the right-of-use asset, there may also be an element recognised within other gains and losses on modification (£16.8m in FY22).

Finance costs

Net finance costs were roughly in line with the prior year at £8.0m (FY21: £7.2m). £5.1m (FY21: £5.5m) relates to interest expense on leases under IFRS 16.

Adjusting items

	FY22	FY21	Change
Fair value movement on forward contracts	13.7	(4.7)	n/a
IFRS 2 charge – Founder Share Plan	0.6	(0.5)	n/a
Restructuring and strategic costs	-	(1.0)	n/a

Intangibles write off	-	(2.1)	n/a
OLP and impairment charges	(18.3)	(15.8)	15.8%
Total adjusting items	**(4.0)**	**(24.1)**	**(83.4)%**

Adjusting items relate primarily to store asset net impairment charges (£16.8m) and an onerous property related contracts provision charge (£1.5m), totalling £18.3m (FY21: £15.8m). The net impairment charge of £16.8m has been allocated between right-of-use assets (£14.4m, FY21: £7.4m) and property, plant and equipment (£2.4m, FY21: £3.3m). It reflects management's view of the impact of the current macroeconomic climate and the challenges this is having on disposable incomes, and therefore expected future footfall.

One other significant item is a £13.7m gain in respect of the fair value movement in financial derivatives (FY21: £(4.7)m) to hedge Euro receivables and US Dollar payables, which has been driven by the movements between the hedging rate and the spot rates during the period.

Profit/(loss) before tax

Driven by the reopening of stores, our adjusted loss of £(12.6)m in FY21 has improved to a profit of £21.9m in FY22. FY22 includes a £12.6m revaluation of foreign currency assets in the year (FY21: £0.5m gain).

In addition to the above, the statutory profit before tax, after accounting for total adjusting items of £(4.0)m (FY21: £(24.1)m), is £17.9m (FY21: £(36.7)m loss).

Taxation in the period

Our tax credit on adjusted profits is £7.8m (FY21: £3.3m tax charge on adjusted losses).

Our tax credit on statutory profits is £4.8m (FY21: £0.6m tax credit on statutory loss).

The Group's adjusted effective tax rate is lower than the statutory rate of 19% (FY21: 19%). This is primarily due to the increase in value of UK deferred tax assets when measured at the newly enacted UK tax rate of 25% (FY21: 19%), movements in deferred taxation recognised in respect of leases, tax losses and the provision made for uncertain tax positions as required by accounting standards.

The net tax charge on adjusting items totals £3.0m (FY21: £3.9m tax credit), which arises primarily as a result of movement on derivative contracts, impairments to the right-of-use asset values, and impairments to property, plant and equipment at the balance sheet date.

Profit/(loss) after tax

After adjusting items, Group statutory profit after tax for the year was £22.7m, compared to a £(36.1)m loss in FY21.

Profit/(loss) per share

Reflecting the profit achieved by the Group during the year, adjusted basic EPS is 36.3p (FY21: (19.4)p).
The adjusted performance of the business, offset by the adjusting items outlined above, results in a reported basic EPS of 27.7p (FY21: (44.0)p) based on a basic weighted average of 81,879,072 shares (FY21: 82,028,188 shares). The decrease in the basic weighted average number of shares is predominantly due to 768,990 shares being purchased by the Superdry EBT in December 2021. These shares are excluded from the calculation of basic EPS. This decrease is partially offset by 87,357 5p ordinary shares being issued during the year under Buy As You Earn schemes.

Adjusted diluted EPS is 35.0p (FY21: EPS (19.4)p) and diluted EPS is 26.7p (FY21: EPS (44.0)p. These are based on a diluted weighted average of 84,977,467 shares (FY21: 82,028,188 shares).

Dividends

Given the current uncertainty and challenging macroeconomic environment, and to maintain liquidity, the Board did not propose an interim dividend and has made the decision not to recommend a final dividend for FY22.

Cash flow

Cash preservation and liquidity remains a top priority in for the business. The end of pandemic-related support from governments, a lower than anticipated recovery in consumer footfall and demand, the shift towards a full-price trading stance, and the challenging macroenvironment, have resulted in a drawdown of £18.4m on our ABL financing facility. Our net debt at the year-end is £(1.0)m, a decrease of £39.9m since FY21.

	FY22	FY21	Change
Operating cash flow before movements in working capital	45.4	29.7	52.9%
Working capital movement	1.8	20.4	(91.2)%
Taxes	0.4	2.5	(84.0)%
Net cash generated from operations	47.6	52.6	(9.5)%
Purchase of PPE and intangible assets	(17.6)	(13.6)	29.4%
Net interest paid	(8.0)	(7.2)	11.1%
Lease incentives - landlord contributions	6.3	-	n/a
Drawdown of ABL facility	164.7	-	n/a
Repayment of ABL facility	(146.3)	-	n/a
Purchase of treasury shares	(2.0)	-	n/a
Proceeds of issued share capital	-	0.1	n/a
Repayment of lease liability principal	(66.6)	(39.9)	66.9%
Net (decrease) in cash and cash equivalents*	(21.9)	(8.0)	173.8%
Cash and cash equivalents at the beginning of period	**38.9**	**36.7**	**6.0%**
Other (including foreign currency movement)	0.4	10.2	(96.1)%
Cash and cash equivalents at the end of period*	**17.4**	**38.9**	**(55.3)%**
ABL Facility	**(18.4)**	**-**	**n/a**
Net Debt	**(1.0)**	**38.9**	**(102.6)%**

*Cash and cash equivalents includes overdraft

Movements in working capital generated a cash inflow of £1.8m (FY21: £20.4m) driven by a decrease in inventories of £(16.7)m, as we continue to reduce the level of stock in the business. This has been partially offset by an increase in trade and other receivables of £13.6m as Wholesale revenues also increase.

Purchase of Property, Plant and Equipment ('PPE') and intangible assets has increased in FY22 by 29.4% to £17.6m in line with our investment into digital, with spend largely focused on the migration of our website platform to microservices and the replacement of our merchandising system, which will continue into FY23.

The increase in our repayment of lease liability principal by 66.9% to £66.6m is due to the payment of £15.7m of deferred rent, which was held back during store closures as a result of Covid-19. As at the end of FY22, we have £8.2m remaining deferred rent which we expect to pay through FY23, though we anticipate a portion will crystallise as a permanent benefit as we continue lease negotiations.

Net working Capital

	FY22	FY21	Change
Inventories	132.7	148.3	(10.5)%
Trade and other receivables	117.5	102.3	14.9%
Trade and other payables	(129.2)	(126.5)	2.1%
Total net working capital	**121.0**	**124.1**	**(2.5)%**

Total net working capital decreased (2.5)% to £121.0m as at the end of FY22, and as proportion of revenue has decreased from 22.3% to 19.8%.

The continued focus on reducing inventory has seen units decrease by a further 2.6m units to 12.4m, a 17.3% reduction year-on-year. The total inventory balance has decreased 10.5% to £132.7m. This is reflective of the reduction in units offset by a higher average price per unit, which is primarily the result of a higher mix of more expensive Autumn/Winter product on hand and a decrease in inventory days from 205.8 to 181.4 in FY22. The inventory balance is net of a provision of £6.1m (FY21: £9.1m).

Total trade and other receivables increased 14.9% to £117.5m, in line with the increase in Wholesale revenue. Total trade and other payables have increased 2.1% to £129.2m largely due to deferred rent for non-IFRS 16 leases of £0.9m (FY21: £11.0m) and timing of inventory shipments.The deferred rent for IFRS 16 leases of £8.2m (FY21: £24.0m) is included within lease liabilities.

Internal controls

During FY20 and FY21, a number of accounting and control issues were identified, many of which are commented upon in Deloitte's audit report for each of those respective years. As a result of this, the Audit Committee undertook a review of the internal controls environment which led to the design and implementation of a multiyear remediation plan for the finance department. This plan was focused on month-end controls, particularly around inventory, accounts payable and cash, finance automation and new system design and implementation. Whilst progress has been made on some areas over the first year of this plan, which has focused on redefining processes and undertaking groundwork, it has been slower than desired and there have been further significant weaknesses identified during the year-end process this year, specifically in inventory and accounts payable. The remediation programme for these new issues will be layered into the existing plan. It is anticipated that during FY23, the systems implementation phase, progress will be accelerated as new tools with inbuilt controls are introduced to the business. These new systems will increase the level of automation and standardisation in the Group's processes, helping to ensure the control environment is appropriate and sustainable in the long-term. To date, Blackline, automatic balance sheet reconciliation software, SoftCo, a company-wide purchase order and accounts payable automation system and an upgrade to the Cognos financial planning system have already been completed. However, it will take time to fully implement and embed the system and process changes needed to ensure the Group has an effective internal control environment and until then, the Group will continue to be reliant on a number of manual reviews and reconciliation controls which need to be improved as a matter of urgency.

The combined controls remediation programme and finance transformation plan remains one of the top priorities for the finance department, Audit Committee, and the wider business throughout FY23 and beyond and will be over-resourced in the near term to ensure improvements are delivered through the current financial year and eventual completion of the programme in FY24.

Outlook

We remain cautious about the near future as we continue to face a challenging macroeconomic environment, high levels of inflation, and the potential impact of these on consumer spending patterns. However, we continue to make good progress across our strategic pillars and we believe these initiatives will help to offset some of that potential risk. I would also like to highlight the importance of refinancing our Asset Backed Lending facility which expires at the end of January 2023 and is covered in more detail in the Assessment of Group Prospects below.

We have maintained good inventory availability across the Group, despite predicted supply chain issues, which has allowed us to launch our AW22 season in line with our expectation. We expect revenues to continue to recover throughout FY23, although still not reaching pre-pandemic levels.

Increasing cost inflation, exacerbated by the conflict in Ukraine, is likely to put pressure on operating margins across each of our territories. The Group has taken action to hedge energy costs, with the majority of UK energy fixed until Summer 2024 and the remaining European requirement fixed until the end of December 2022, but expects to see inflation across other areas of the cost base. We expect to deliver an adjusted profit before tax of between £10m and £20m in FY23.

Assessment of Groups Prospects

Going concern

Background and context

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.

Like many businesses in the retail sector, Superdry has been through a period of unprecedented challenges over recent years. The global pandemic resulted in the enforced closure of stores, with many trading days lost. The principal impact of Covid-19 in FY22 was from the emergence of the Omicron variant in December 2021, which resulted in significantly reduced footfall during the key Christmas trading period, and predicted supply chain capacity issues in China, which necessitated early order placement for Autumn/Winter22.

Despite a resurgence of store visits in many European countries following vaccination programmes and the lifting or easing of restrictions in Superdry's key markets, footfall has still not recovered to pre-pandemic levels.

The Russian invasion of Ukraine occurred in the second half of FY22, and whilst the Group was not directly impacted, the lasting effects of the pandemic on supply chains, the resultant input price inflation and the consequential impact on consumer confidence has increased the uncertainty in our forecasts, particularly in the short term, and therefore further challenges, our ability to achieve the brand reset and the financial objectives in our plan.

In response to the challenging macroeconomic conditions and to partially offset the adverse impacts above, there are several key mitigations that the Group has undertaken:

- Price rises ranging from 4%-6% across AW22 and SS23 and the introduction of delivery charges for all online orders.
- Increasing the mix of core product, which has a life of more than one season, and consequently reducing the clearance and buy cycle, which remains our largest cash mitigation.
- Re-introducing targeted clearance activity in our stores.
- Identified a number of operational savings and cost efficiencies across the Group.
- Recognised £4.4m of one-off rent savings in FY22 relating to the disrupted periods during Covid-19. These one-off rent benefits are in addition to the ongoing lease renewal savings that have been achieved to date, which we expect to continue to be realised as we review our store estate.

Borrowing Facilities

The Group has an up to £70m Asset Backed Lending Facility (ABL) which expires in January 2023 and an uncommitted overdraft facility of up to £10m available on a rolling annual basis. At the year-end, £18.4m of the ABL facility had been drawn down, £3.1m of the overdraft had been utilised, and the Group had a net debt balance of £(1.0)m. The maximum drawdown on the ABL facility was £21m in October 2021, as peak working capital coincided with the need to weather the impact of temporary closures in the EU and continuing suppressed footfall across all markets.

As at 1 October 2022, which coincides with the Group's working capital peak, the Group had drawn down £45.3m with a net debt balance of £38.9m.

As the overdraft is uncommitted, it has not been considered by the Directors as part of the going concern or viability assessment.

The covenants on the ABL facility are tested quarterly, with the next test due at the end of October 2022 and then again in January 2023, albeit this is the date the facility expires. These are based around the Group's adjusted fixed charge (rent and interest) and are calculated on a 'frozen GAAP' basis and hence unaffected by IFRS 16 "Leases".

Base case

The Group's going concern assessment covers the 12-month period from the date of approval of the financial statements, derived from the latest FY23 and FY24 forecasts in the Group's medium term financial plan (the "Plan"). As the long-term effects of Covid-19 and the more short-term escalating cost-of-living crisis continue to impact the wider retail sector and the Group, our trading outlook has been adjusted to reflect these uncertainties. The most significant assumptions in this revised set of projections are:

- All trading channels benefit from ongoing product improvements, operational initiatives and marketing activity to support the brand reset which began in October 2020, the full benefit of which is not yet realised, given the challenging macroeconomic environment. This benefit is offset by pressure on all trading channels as a result of the cost-of-living crisis impacting consumer spending.
- Store trading is predicted to improve year-on-year with footfall recovering steadily over the duration of FY23 and through FY24 as stores remain fully open across all geographies, and consumer demand gradually returns, though stabilising at a lower level than previously forecast, and below pre-Covid-19 levels. Profitability will be in line with FY22, with the impact of re-introduced targeted clearance activity, largely offset by the recurring benefits of renegotiated leases.
- Ecommerce revenues will benefit from investments to improve the website user experience following the migration to a microservices platform, which was fully implemented by August 2022 and will improve in conversion rates and basket values, as well as facilitate the launch of additional partner programmes.
- Wholesale revenues begin to modestly recover in FY23 and throughout FY24, with a return to order book growth, reflecting a steady recovery from the pandemic-impacted trading of FY20-FY22. This will continue to be impacted by the ongoing economic uncertainty globally, but particularly across our biggest Wholesale market in Europe.
- Cost inflation pressures are assumed to be largely offset with price increases of 4-5% for Autumn/Winter22 and 5-6% for Spring/Summer23 and the implementation of delivery charges for online orders.
- Continued investment in marketing will result in increased spend across FY23 and FY24.

In assessing the Group's going concern status the Directors considered the base case (with the assumptions outlined above) and a number of other forecast scenarios, all of which include a requirement for a financing facility, albeit for short periods of time, in line with our working capital cycle.

Reverse Stress Test

Given the base case reflects the results of the turnaround plan and due to the current macroeconomic uncertainties already discussed, the Group has modelled a 'reverse stress test' scenario up to the end of January 2023 when the current ABL facility expires, to ensure there is sufficient headroom on the facility and covenant tests to allow the Group to operate within the agreement until this point.

The reverse stress test calculates the necessary shortfall to sales forecasts in the Plan, net of feasible mitigating actions, that would create a situation where the Group either:

- Requires additional sources of financing, in excess of those that are committed; or
- Breaches the lending covenants on the existing facility.

Given the headroom over the available facility until the end of January 2023 and the encouraging trading we have seen over recent weeks following the launch of our Autumn/Winter22 collection, as well as our proven ability to effectively manage cash, the Directors consider the likelihood of breaching the facility limit or the associated covenant tests prior to the expiry, to be remote.

This assessment is linked to a robust assessment of the principal risks facing the Group, and the reverse stress test reflects the potential impact of these risks being realised.

Ongoing Discussions

As noted above, the existing ABL facility is due to expire in January 2023. The terms of the agreement state that an extension of the existing ABL facility can only be formally requested 60 days before expiry of the initial term. The Directors' believe they will be able to secure committed financing prior to the end of the current arrangement and are in positive discussions with a number of prospective lenders. An agreement to a new committed facility is critical in both delivering the planned business performance and also concluding on going concern.

The Directors' consider the current up to £70m facility is sufficient, until expiry in January 2023. Projections show the business will be cash positive for a large part of FY23 and FY24, but the seasonal stock buy for both retail and wholesale does mean that a facility during the peak working capital cycle from August through to early September.

Summary

After considering the forecasts, sensitivities and mitigating actions available and having given due regard to the risks, uncertainties and continued challenges in the macroenvironment environment, the Directors note that until those discussions conclude on the future funding facility, there exists a material uncertainty. This may cast significant doubt over the Group's ability to continue as a going concern until said funding is secured and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

The material uncertainty relates to:

- going concern regarding secured funding, as the current funding facility is in place for less than 12 months following the date of signing and the base case cash flow forecast indicates that funding will be required in the going concern period.

The financial statements have been prepared on a going concern basis, whilst noting the material uncertainty above.

Viability Statement

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 five-year period through to FY27 using the medium-term financial plan. The five-year viability period coincides with the Group's strategic review period. The Plan assumes the successful implementation of the turnaround strategy to reset the brand, reversing the decline in performance which began in FY19 and has been exacerbated by the impact of Covid-19 and the cost-of-living crisis, and return the Group to historic profit margins whilst delivering long term growth. However, the Directors recognise that the prevailing conditions make it challenging to forecast future outcomes.

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 the broader economic recovery) and liquidity over the duration of the Plan. In making this statement, the Directors have considered the resilience of the Group under various market conditions, together with the effectiveness of any mitigating actions and the availability of financing facilities.

The assessment has been made, at the date of signing these accounts, with reference to:

- The Group's financial position at the year ended 30 April 2022 including the current and forecast funding position and the Directors' expectation that funding will be available, notwithstanding the need to refinance when the existing facility ends in January 2023;
- The Group's strategy and business plan;
- The Board's risk appetite;
- The Group's principal risks and uncertainties and how these are identified, managed and mitigated;
- The Group's going concern assessment; and

- The external environment that the Group operates within.

The Group is still profitable and is projected to be so throughout the life of the Plan. In the short term, the viability of the Group is impacted by the financing issues, including the need for funding, discussed in the Going Concern section.

Whilst recognising the challenging retail environment will increase the risks and costs around the future refinancing of this facility, based on current market conditions and the proven ability to manage cash during the pandemic, 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 ABL expiry. The viability assessment therefore assumes that the Group renews the facility and sufficient funding is available over the duration of the viability 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 2027, taking into account the need to resolve the material uncertainty relating future financing. However, a significant sustained downturn either in the wider economy or through strategic failure, a failure to renew the committed financing facility in January 2023 or the facility not being available over the whole viability period, would threaten the viability of the business over this five-year assessment period.

Group Statement of Comprehensive Income

to the members of Superdry plc

	Note	Adjusted* 2022 £m	Adjusting items (note 6) £m	Total 2022 £m	Adjusted* 2021 £m	Adjusting items (note 6) £m	Total 2021 £m
Revenue	6	609.6	–	609.6	556.1	–	556.1
Cost of sales		(267.0)	–	(267.0)	(263.0)	–	(263.0)
Gross profit		342.6	–	342.6	293.1	–	293.1
Selling, general and administrative expenses		(331.5)	(17.7)	(349.2)	(321.6)	(19.4)	(341.0)
Other gains and losses (net)		17.0	13.7	30.7	19.3	(4.7)	14.6
Impairment credit/(loss) on trade receivables		1.8	–	1.8	3.8	–	3.8
Operating profit/(loss)		29.9	(4.0)	25.9	(5.4)	(24.1)	(29.5)
Finance expense		(8.0)	–	(8.0)	(7.2)	–	(7.2)
Profit/(loss) before tax	6	21.9	(4.0)	17.9	(12.6)	(24.1)	(36.7)
Tax (expense)/credit	10	7.8	(3.0)	4.8	(3.3)	3.9	0.6
Profit/(loss) for the period		29.7	(7.0)	22.7	(15.9)	(20.2)	(36.1)
Attributable to:							
Owners of the Company		29.7	(7.0)	22.7	(15.9)	(20.2)	(36.1)
Other comprehensive expense net of tax:							
Items that may be subsequently reclassified to profit or loss							
Currency translation differences on translation of foreign operations		(8.2)	–	(8.2)	12.1	–	12.1
Total comprehensive income/(expense) for the period		21.5	(7.0)	14.5	(3.8)	(20.2)	(24.0)

Attributable to:							
Owners of the Company		21.5	(7.0)	14.5	(3.8)	(20.2)	(24.0)
		pence per share		pence per share	pence per share		pence per share
Earnings per share:							
Basic	16	36.3		27.7	(19.4)		(44.0)
Diluted	16	35.0		26.7	(19.4)		(44.0)

* Adjusted and adjusting items are defined in note 6.

2022 is for the 53 weeks ended 30 April 2022 and 2021 is for the 52 weeks ended 24 April 2021.

Balance Sheet

to the members of Superdry plc Registered number: 07063562

		Group	
	Note	30 April 2022 £m	24 April 2021 £m
ASSETS			
Non-current assets			
Property, plant and equipment	13	22.4	29.4
Right-of-use assets	17	80.2	91.1
Intangible assets	14	42.3	41.7
Investments in subsidiaries		–	–
Deferred tax assets		66.3	53.8
Derivative financial instruments	20	0.9	0.3
Total non-current assets		212.1	216.3
Current assets			
Inventories		132.7	148.3
Trade and other receivables		117.5	102.3
Derivative financial instruments	20	8.9	2.4
Current tax receivables		–	4.0
Cash and bank balances		20.5	38.9
Total current assets		279.6	295.9
LIABILITIES			
Current liabilities			
Borrowings		21.5	–
Trade and other payables		129.2	126.5
Current income tax liabilities		4.0	–
Provisions for other liabilities and charges		4.7	6.2
Derivative financial instruments	20	0.5	5.7
Lease liabilities	17	66.1	94.1
Total current liabilities		226.0	232.5
Net current assets/(liabilities)		53.6	63.4
Non-current liabilities			
Trade and other payables		2.6	1.2
Provisions for other liabilities and charges		7.2	10.0
Derivative financial instruments	20	–	1.5
Deferred liabilities		0.8	1.1
Lease liabilities	17	151.2	175.5
Total non-current liabilities		161.8	189.3
Net assets		103.9	90.4

EQUITY			
Share capital	21	4.1	4.1
Share premium		149.2	149.2
ESOP Reserve		(2.0)	–
Translation reserve		(1.6)	6.6
Merger reserve		(302.5)	(302.5)
Retained earnings		256.7	233.0
Total equity		103.9	90.4

Group Cash Flow Statement

to the members of Superdry plc

		Group	
	Note	2022 £m	2021 £m
Cash generated/(used in) from operating activities	18	47.2	50.1
Tax receipt/(payment)		0.4	2.5
Net cash generated/(used in) from operating activities		47.6	52.6
Cash flow from investing activities			
Investments in subsidiaries		–	–
Purchase of property, plant and equipment		(10.4)	(6.8)
Purchase of intangible assets		(7.2)	(6.8)
Dividends received	12	–	–
Net cash (used in)/generated from investing activities		(17.6)	(13.6)
Cash flow from financing activities			
Dividend payments	12	–	–
Lease Incentives – Landlord Contributions		6.3	–
Repayment of ABL facility		(146.3)	–
Drawdown of ABL facility		164.7	–
Proceeds of issue of share capital		–	0.1
Net interest paid		(8.0)	(7.2)
Purchase of treasury shares		(2.0)	–
Repayment of leases – principal amount	17	(66.6)	(39.9)
Net cash used in financing activities		(51.9)	(47.0)
Net (decrease) in cash and cash equivalents	19	(21.9)	(8.0)
Cash and cash equivalents at beginning of period	19	38.9	36.7
Exchange gains/(losses) on cash and cash equivalents		0.4	10.2
Cash and cash equivalents at end of period		17.4	38.9

* Net Cash and Cash Equivalents includes overdraft

2022 is for the 53 weeks ended 30 April 2022 and 2021 is for the 52 weeks ended 24 April 2021.

Statements of Changes in Equity

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 25 April 2020		4.1	149.1	–	(5.5)	(302.5)	267.5	112.7
Comprehensive expense								
Loss for the period		–	–	–	–	–	(36.1)	(36.1)
Other comprehensive income								
Currency translation differences		–	–	–	12.1	–	–	12.1
Total other comprehensive income		–	–	–	12.1	–	–	12.1
Total comprehensive (expense)/income for the period		–	–	–	12.1	–	(36.1)	(24.0)
Transactions with owners								
Shares issued		–	0.1	–	–	–	–	0.1
Employee share award schemes	8,9	–	–	–	–	–	1.6	1.6
Dividend payments	12	–	–	–	–	–	–	–
Total transactions with owners		–	0.1	–	–	–	1.6	1.7
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 expense		–	–	–	–	–	–	–
Currency translation differences		–	–	–	(8.2)	–	–	(8.2)
Total other comprehensive expense		–	–	–	(8.2)	–	–	(8.2)
Total comprehensive (expense)/income 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	8,9	–	–	–	–	–	1.0	1.0
Dividend payments	12	–	–	–	–	–	–	–
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 current period (2022) is for the 53 weeks ended 30 April 2022 (2021: 52 weeks ended 24 April 2021 (2021)).

a) 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 2022.

The financial information included in this preliminary announcement does not constitute the Group's statutory accounts for the 53 weeks ended 30 April 2022 or 52 weeks ended 24 April 2021 but is derived from those accounts.

The financial information for the 52 weeks ended 24 April 2021 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 53 weeks ended 30 April 2022 will be filed with the Registrar of Companies following the 2022 Accounts Meeting. The report of the auditor was unqualified and 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, 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 30 April 2022. 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 realise its assets and discharge its liabilities in the normal course of business.

The material uncertainty relates to:

- going concern regarding secured funding, as the current funding facility is in place for less than 12 months following the date of signing and the base case cash flow forecast indicates that funding will be required in the going concern period.

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. The Directors' consider the current up to £70m facility is sufficient, until expiry at the end of January 2023. Projections show the business will be cash positive for a large part of FY23 and FY24, but the seasonal stock buy for both retail and wholesale does mean that a facility during the peak working capital cycle from August through to early September. The financial statements have been prepared on a going concern basis, whilst noting the material uncertainty above.

3. Key sources of estimation uncertainty in applying the Group's 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.

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.

Store impairment estimates

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 the Group's 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 IFRS 16. An impairment charge of £24.2m (2021: £22.8m) and an impairment reversal of £7.4m (2021: £12.1m) were recognised in the period (net impairment of £16.8m, 2021: £10.7m).

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. All 220 owned stores have been tested for impairment in the current year.

The key estimates for the value in use calculations are those regarding expected changes in future cash flows and the allocation of central costs. The key assumptions used in determining store cash flows are the growth in both sales and gross margin set out in the medium-term plan, as well as operational savings and cost efficiencies identified across the Group and incorporated into forecast cash flows.

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 has regard for historic performance, knowledge of the current market and the impact of current macroeconomic conditions, together with the Group's views on the achievable growth, all of which have been reviewed and approved by the Board. 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 medium-term financial plan are extrapolated using long-term growth rates that are indicative of country-specific rates. The cash flows are discounted using the appropriate discount rate. The cash flows are modelled for each store through to their lease expiry date. Lease extensions have only been assumed in the modelling where they have been agreed with landlords.

Central costs are attributed to store CGUs where they can be allocated on a reasonable and consistent basis, and assumptions are required to determine the basis for allocation. In addition to directly attributable store costs, other relevant operating costs have been attributed to store CGUs on a reasonable and consistent basis where possible, which include certain distribution, IT, HR and marketing expenses, totalling 10-15% of the overall annual cost base.

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 rates range from 11.35% to 17.7% (2021: 12.6% to 15.1%) and are derived from the Group's post-tax WACC range of 11.1% to 13.8% (2021: 10.0% to 11.6%). A 500bps change in the discount rates, which is not considered to be reasonably possible, would result in a £3.9m increase or £4.1m decrease in the net impairment.

Further significant costs (or credits) may be recorded in future years. The level of uncertainty in the Group forecasts has been exacerbated by external factors such as input price inflation and the squeeze on consumer budgets, largely driven by rising inflation. The forecasts are also dependent on the longer-term impact of Covid-19 on consumer behaviour, as well as the success of the brand reset.

During the year, the Group has recognised a net impairment charge of £2.4m (2021: £3.3m) relating to property, plant and equipment and a net impairment charge of £14.4m (2021: £7.4m) relating to right-of-use assets. These impairment charges have been recognised as part of adjusting 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 is £144.9m.

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, right-of-use assets and intangibles, 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 in all years for each territory would decrease net impairment by £4.9m
- A decrease of 200bps in the gross margin rate in all years for each territory would increase net impairment by £5.2m
- An increase of 10% in the year 1 sales growth for each territory would decrease net impairment by £3.7m
- A decrease of 10% in the year 1 sales growth for each territory would increase net impairment by £4.0m
- A 20% change in the central costs being allocated to the store CGUs would increase net impairment by £1.9m

Onerous property related contracts provision

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 relate 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 for store impairments, discounted at the appropriate risk adjusted rate. The costs of exiting property related contract 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 as being £8.4m (2021: £12.1m). This value is after a net £1.0m provision release on exited stores, credited to the Group statement of comprehensive income (2021: £0.5m provision release on exited stores). The provision is also stated after utilisation of the brought forward provision of £4.3m (2021: £4.2m). The charge recognised in respect of the net increase to the onerous lease provision is £1.5m (2021: £5.1m), which is required to increase the provision to £8.4m, based on the outcome of the year-end assessment.

The onerous property related contracts provision charge of £1.5m has been recognised within adjusting items within selling, general and administrative expenses. Further significant costs (or credits) may be recorded in future years dependent on the Group's trading performance.

A 500bps increase/decrease in the risk-free rates would result in a £0.9m increase or £1.1m decrease in the onerous lease provision.

The Group has performed sensitivity analysis on the onerous property relates 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 in all years for each territory would decrease the onerous property related contracts charge by £0.2m
- A decrease of 200bps in the margin rate in all years for each territory would increase the onerous property related contracts charge by £1.4m
- An increase of 10% in the year 1 sales growth for each territory would decrease the onerous property related contracts charge by £0.2m
- A decrease of 10% in the year 1 sales growth for each territory would increase the onerous property relate contracts charge by £0.2m

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. The estimation uncertainty relates to the allowance for expected credit losses of £4.7m (2021: £8.6m) which includes a specific provision and an ECL provision.

The specific provision of £3.2m (2021: £6.0m) is calculated for higher risk trade receivables, relating to customers who have balances over £30k that are at least 30 days overdue. This provision is calculated based on a specific review of the exposure to each customer, net of credit enhancements and taking into consideration their payment history. There is a range of possible outcomes for the specific provision; an indication of the maximum possible exposure is that the specific provision of £3.2m (2021: £6.0m) covers gross debtors of £7.1m (2021: £10.5m).

The ECL provision of £1.5m (2021: £2.6m) is calculated for the aggregated remaining debtors profiled by country, net of credit enhancements, and assuming country-specific default rates. The country-specific default rates were prepared using the Group's historic loss experience in the relevant country, which has also been adjusted for forward-looking information. A range of reasonably possible outcomes for the ECL provision, is £0.5m-£2.1m. The lower end of the range does not adjust historic loss experience for forward looking information. The higher-end of the range assumes a four-fold level of credit risk for each country at the reporting date, compared to average historic loss experience.

Impairment of Superdry Plc's investment in subsidiaries

Under IAS 36, an impairment review is performed in respect of Superdry Plc's investment in subsidiaries, whenever an indicator of impairment has been identified. The reduction in the Group's market capitalisation as of the reporting date has been considered an indicator of impairment and an impairment review performed accordingly. The impairment review of Superdry Plc's investment in subsidiaries has been performed using the same assumptions for growth rates and expected changes to future cash flows as set out above for store impairments. The Group's medium-term plan is used as the basis for determining the enterprise value of each subsidiary within the Group. Certain assumptions have been applied in the allocation of future forecast Group cash flows between the individual subsidiaries of Superdry Plc. These allocations have been based upon the current mix of cash flows within the Group. The enterprise value for each subsidiary has been adjusted for net debt to determine each subsidiary's equity value. The cash, overdraft and intercompany position of each subsidiary at the reporting date has been used to determine the net debt. An impairment has been recorded wherever the carrying value of the investment in the subsidiary exceeds the equity value. As a result of the impairment review, an impairment of £97.7m was identified in respect of DKH Retail Ltd.

The Company has performed sensitivity analysis on the impairment review using reasonably possible scenarios based on recent market movements. The investment in DKH Retail Ltd is particularly sensitive to any changes to the group-wide forecasts due to the transfer pricing policy applied by the Group, under which many subsidiaries operate as limited risk distributors. As a result of the transfer pricing policy DKH Retail Ltd is exposed to both upside and downside in the group-wide performance.

- An increase/decrease of 200bps in the gross margin rate in all years for each territory would decrease/increase the investment impairment by £97.7m and £88.3m respectively.
- An increase/decrease of 10% in group-wide sales for each territory in all years would decrease/increase the investment impairment by £97.7m and £88.3m respectively.
- An increase/decrease of 100bps in the discount rates applied would increase/decrease the investment impairment by £3.9m and £4.3m respectively.

4. 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:

Attributing Ecommerce sales and costs to stores

Judgement is required to determine 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. The basis of such attribution is considered difficult to determine, due to insufficient evidence to reliably estimate. For this reason, Ecommerce sales attributable to stores have not been calculated. The continuation of Ecommerce sales during the period of Covid-19 enforced store closures further supports this judgement.

Store impairment judgements
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. The impairment review involves critical accounting judgements, in addition to the significant estimates discussed above.

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. Judgement is involved in this revenue and cost attribution exercise in defining the parameters of the store characteristics. The outcome of this exercise affects the value in use associated with each store CGU.

Similarly, judgement is required in determining which central costs are directly involved in the store operations and therefore should be apportioned to each store CGU. Central costs are attributed to store CGUs where they can be allocated on a reasonable and consistent basis.

Judgement is also involved in defining the lease term used in the store impairment calculations. Lease extensions have only been assumed in the modelling where they have been agreed with landlords.

Foreign exchange translation on intragroup balances
Foreign exchange gains/losses on intragroup balances denominated in currencies other than sterling are recognised in profit and loss. Judgement is required in determining whether the intragroup balances represent a net investment in foreign operations. Where the intragroup balances are considered a net investment in foreign operations, the exchange gain/loss is recognised in other comprehensive income. The conclusion has been reached that the intragroup balances do not represent a net investment in foreign operations. This is on the basis that it is management’s intention to settle foreign denominated intragroup balances in the foreseeable future. Under the group’s transfer pricing policy, foreign subsidiaries are guaranteed a set profit margin (as limited risk distributors). Management’s intention is to use future profits generated by foreign subsidiaries to settle foreign denominated intragroup balances. Accordingly gains/losses on foreign denominated intragroup balances are recognised in profit and loss.

Adjusting items
Judgements are required as to whether items are disclosed as adjusting items, with consideration given to both quantitative and qualitative factors. Adjusting items are identified by virtue of their size, nature or incidence.

5. New accounting pronouncements

The accounting policies set out have been applied consistently throughout the Group and to all years presented in these consolidated accounts except if mentioned otherwise. For the financial year 2022, the following amendments were adopted by the Group:

- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)

New accounting standards in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRs Standards that have been issued but are not yet effective:

- IFRS 17 Insurance Contracts;
- IFRS 10 and IAS 28 (amendments): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current;
- Amendments to IFRS 3: Reference to the Conceptual Framework;
- Amendments to IAS 16: Property, Plant and Equipment – Proceeds before Intended Use;
- Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract; and

- Annual Improvements to IFRS Standards 2018-2020 Cycle.

The application of these new standards and amendments is not expected to have a material impact on the Group.

6. 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 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 financial years 2022 and 2021 is set out below. The 'Retail' subtotal of the 'Stores' and 'Ecommerce' segments presented below is considered useful additional information to the reader.

	Stores	Ecommerce	Retail subtotal	Wholesale	Central costs	Group
	2022	2022	2022	2022	2022	2022
	£m	£m	£m	£m	£m	£m
Total segment revenue	228.4	155.7	384.1	393.6	–	777.7
Less: inter-segment revenue	–	–	–	(168.1)	–	(168.1)
Revenue from external customers	228.4	155.7	384.1	225.5	–	609.6
Gross profit	161.9	99.0	260.9	81.7	–	342.6
Profit/(loss) before tax			25.9	52.4	(60.4)	17.9

The segment measure of profit required to be presented under IFRS 8 Segments is gross profit. 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 year.

The following additional information is considered useful to the reader:

	Adjusted* 2022 £m	Adjusting items £m	Reported 2022 £m
Revenue			
Retail	384.1	–	384.1
Wholesale	225.5	–	225.5
Total revenue	609.6	–	609.6
Operating profit/(loss)			
Retail	38.7	(7.9)	30.8
Wholesale	49.1	3.3	52.4
Central costs	(57.9)	0.6	(57.3)
Total operating profit/(loss)	29.9	(4.0)	25.9
Net finance expense – Central costs	(3.0)	–	(3.0)
Net finance expense – Retail	(5.0)	–	(5.0)
Profit/(loss) before tax	21.9	(4.0)	17.9
Retail	33.8	(7.9)	25.9
Wholesale	49.1	3.3	52.4
Central costs	(61.0)	0.6	(60.4)
Total profit/(loss) before tax	21.9	(4.0)	17.9

* Adjusted is defined as reported results before adjusting items

The net impairment losses and reversals on store assets and onerous property related contract charges amount to £18.3m (2021: £15.8m) and all relate to the Retail segment.

	Stores 2021 £m	Ecommerce 2021 £m	Retail subtotal 2021 £m	Wholesale 2021 £m	Central costs 2021 £m	Group 2021 £m
Total segment revenue	140.5	201.8	342.3	389.6	–	731.9
Less: inter-segment revenue	–	–	–	(175.8)	–	(175.8)
Revenue from external customers	140.5	201.8	342.3	213.8	–	556.1
Gross profit	93.6	117.5	211.1	82.0	–	293.1
Profit/(loss) before tax			(9.3)	40.8	(68.2)	(36.7)

The following additional information is considered useful to the reader:

	Adjusted* 2021 £m	Adjusting items £m	Reported 2021 £m
Revenue			
Retail	342.3	–	342.3
Wholesale	213.8	–	213.8
Total revenue	556.1	–	556.1
Operating loss			
Retail	15.4	(19.2)	(3.8)
Wholesale	42.1	(1.3)	40.8
Central costs	(62.9)	(3.6)	(66.5)
Total operating loss	(5.4)	(24.1)	(29.5)
Net finance expense – Central costs	(1.7)	–	(1.7)
Net finance expense – Retail	(5.5)	–	(5.5)
Profit/(loss) before tax			
Retail	9.9	(19.2)	(9.3)
Wholesale	42.1	(1.3)	40.8
Central costs	(64.6)	(3.6)	(68.2)
Total loss before tax	(12.6)	(24.1)	(36.7)

* Adjusted is defined as reported results before adjusting items and is further explained in note 6.

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

	Group	
	2022 £m	2021 £m
External revenue – UK	224.1	197.5
External revenue – Europe	294.3	283.5
External revenue – Rest of World	91.2	75.1
Total external revenue	609.6	556.1

The total of non-current assets, other than deferred tax assets, located in the UK is £68.4m (2021: £68.9m), and the total of non-current assets located in other countries is £77.4m (2021: £93.6m).

7. Adjusting items

The below adjustments are disclosed separately in the Group statement of comprehensive income and are applied to the reported profit before tax to arrive at the adjusted profit before tax. Further information about the determination of adjusting items in financial year 2022 is included in note 22.

Group

	2022 £m	2021 £m
Adjusting items		
Unrealised gain/(loss) on financial derivatives	13.7	(4.7)
Net store asset impairment charges and reversals, and onerous property related contracts provision	(18.3)	(15.8)
Non-store intangible asset impairments	–	(2.1)
Restructuring, strategic change and other costs	–	(1.0)
IFRS 2 charge on Founder Share Plan (note 9)	0.6	(0.5)
Total adjusting items	(4.0)	(24.1)
Taxation		
Deferred tax on adjusting items	(3.0)	3.9
Total taxation	(3.0)	3.9
Total adjusting items after tax	(7.0)	(20.2)

Adjusting items before tax in the period totalled a net charge of £4.0m in the year (2021: £24.1m).

Store asset impairment charges and reversals and onerous property related contracts provision

Comprehensive reviews have been performed in both the current and prior reporting periods 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.

In the prior year a store asset impairment review was performed in the context of the ongoing impact of the COVID-19 pandemic on trading performance across the store portfolio. As a result of the prior year review, a charge to the Group statement of comprehensive income for non-cash impairments of £22.8m was recognised, affecting 125 stores. Additionally, a non-cash credit of £12.1m was recognised in the Group statement of comprehensive income for the reversal of impairments that were recognised in previous periods. A reassessment was also performed on the onerous property related contracts provision, resulting in a charge of £5.1m, affecting approximately 30 stores.

A store asset impairment review has also been performed as of 30 April 2022. Whilst the impacts of the COVID-19 pandemic on trading performance are significantly reduced, the Group continues to experience a challenging trading environment, largely due to the ongoing cost of living crisis. As a result of the current year impairment review, a charge to the Group statement of comprehensive income for non-cash impairments of £24.2m was recognised, affecting 102 stores. Additionally, a non-cash credit of £7.4m was recognised in the Group statement of comprehensive income for the reversal of impairments recognised in previous periods. This impairment reversal affected 71 stores. The total net impairment of £16.8m affects property, plant and equipment and right-of-use assets. A significant level of estimation and judgement has been used to determine the charges and reversals.

A reassessment was also performed on the onerous property related contracts provision, resulting in a net charge of £1.5m, affecting around 39 stores. Onerous property related contracts provisions 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.

Intangible asset impairments

In the prior year, the Group recognised impairment charges in the period for website and software intangible assets. A review was performed during the period over website and software intangible assets which were likely to be replaced or upgraded in the foreseeable future, leading to a one-off impairment of £2.1m. No such impairment charge is required in the current year.

Restructuring, strategic change and other costs

Adjusting items in 2021 included £1.4m resulting from the restructuring programme announced in the FY20 Group Annual Report. This restructuring included redundancies in order to make the Group fit for the future. The Directors considered these to be adjusting items due to their one-off nature. No further restructuring expense has been charged in the current financial year.

Unrealised gain/(loss) on financial derivatives

A £13.7m credit has been recognised within adjusting items in respect of the fair value movement in financial derivatives (2021: £4.7m charge), which has been driven primarily by the relative weakness of Sterling against the US Dollar at the year-end, and its impact on forward currency contracts, buying US Dollar with Sterling.

IFRS 2 charge on Founder Share Plan

The IFRS 2 credit of £0.6m (2021: £0.5m charge) in respect of the Founder Share Plan is also included within adjusting items (see notes 9 and 6 for further details).

Tax on adjusting items

The net tax charge on adjusting items totals £3.0m (2021: £3.9m credit). An adjusting tax credit of £0.5m (2021: £1.4m credit) arises as a result of impairments to the right-of-use assets, a £0.1m adjusting tax charge (2021: £0.3m credit) as a result of impairments to property, plant and equipment at the balance sheet date, and an adjusting tax charge of £3.4m (2021: £2.2m credit) arises in connection with movements on the derivative contracts and an updated onerous lease review.

8. Share-based Long-Term Incentive Plans (LTIP)

Share awards are granted to employees in the form of equity-settled awards and cash-settled awards.

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 conditions of the specific scheme can convert and give participants the right to be granted nil-cost shares at the end of the performance period.

The vesting period of these schemes is between two and 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.

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

	Group and Company			
	2022 Number of shares	2022 Weighted average exercise price	2021 Number of shares	2021 Weighted average exercise price
At start of the period	2,818,698	–	1,365,690	–
Granted	1,260,745	–	2,158,592	–
Forfeited	(1,061,621)	–	(544,644)	–
Cancelled	(115,795)	–	(160,940)	–
Total number of outstanding share awards at end of the period	2,902,027	–	2,818,698	–

None of the share awards were exercisable at the period end date (2021: nil).

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

	Group and Company		
Grant date	Type of award	Number of shares	Vesting period
October 2020	Restricted share award	1,491,157	3 years
October 2020	Restricted share award	667,435	2 years
October 2021	Restricted share award	907,674	3 years
October 2021	Restricted share award	353,071	2 years

In 2021, the Company changed the award mechanism under the PSP from a scheme with market-based vesting criteria to a Restricted Share Awards (RSA) plan with no performance or market-based vesting criteria attached. The shares granted during the year are restricted share-based conditional awards. The fair value of the shares awarded at the grant date during the year is £3.2m (2021: £3.8m), determined using the modified grant-date method. The weighted average value of each award granted in the year was £2.56, which reflects the share price on the date the awards were granted. Shares awarded in previous years, which are still within their vesting period, contain market-based vesting criteria such as diluted earnings per share and total shareholder return performance targets. The fair value of these awards was determined at the grant date using a Black-Scholes pricing model.

A charge of £1.5m (2021: £1.0m) has been recorded in the Group statement of comprehensive income during the year for schemes under the PSP.

No share options were exercised during the period. The options outstanding at 30 April 2022 had a weighted average remaining contractual life of 17 months (2021: 23 months); these shares have an exercise price of £nil (2021: £nil).

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.

Cash-based conditional awards

Cash-settled share-based payments were granted in the year under the PSP. These are equivalent to the RSAs granted during the year, but are to be settled through cash, rather than shares.

These awards have no value to the participant at the grant date, but subject to the conditions of the specific scheme can convert and give participants the right to a cash settlement at the end of the performance period.

The vesting period of these schemes is two years. Cash-settled 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.

The terms and conditions of the award of cash-settled shares granted under the PSP during the year are as follows:

		Group and Company			
Grant date	Type of award	Number of shares	Vesting period	Fair value at grant date	Fair value at reporting date
October 2020	Cash-settled restricted share award	286,951	2 years	1.75	1.53
October 2021	Cash-settled restricted share award	151,430	2 years	2.56	1.53

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

	Group and Company	
	2022 Number of shares	2021 Number of shares
At start of the period	261,158	–
Granted	151,430	286,951
Forfeited	(82,017)	(25,793)
Total number of outstanding share awards at end of the period	330,571	261,158

None of the share awards were exercisable at the period end date (2021: nil).

The shares granted during the year are restricted share-based conditional awards. The terms and conditions of the award specify that the fair value at the end of the performance period will be the lower of fair value on that date or a cap of twice the grant price.

The fair value of the shares awarded at the grant date during the year was £0.5m (2021: £0.5m) and has been remeasured to £0.3m (2021: £0.7m) at the reporting date. The fair value of the award is determined at the modified grant date and is remeasured at each subsequent reporting period. The shares granted during the year did not contain any market-based vesting criteria.

A charge of £0.1m (2021: £0.2m) has been recorded in the Group statement of comprehensive income during the year for cash-settled schemes under the PSP.

Save As You Earn

A Save As You Earn scheme is operated by the Group. A charge of £0.1m (2021: no charge) has been recorded in the Group statement of comprehensive income during the year.

Buy As You Earn

A Buy As You Earn scheme is operated by the Group which commenced in August 2016. In the year 24,311 shares (2021: 31,032 shares) have been purchased under the scheme. The charge to the Group statement of comprehensive income is immaterial and therefore has not been accounted for.

Other schemes

Share options were issued in the current and prior years 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 2022 for these awards is £0.2m (2021: £0.1m).

9. 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 agreed to share increases in their wealth with employees of the Group. The Founders had agreed to transfer into a fund 20% of their gain from any increase in the Group's share price over a threshold of £18.

The measurement period for the FSP ran from 1 October 2017 to 30 September 2020, and as such the measurement period for the market-based vesting criteria expired in FY21.

The gain to be transferred into the fund was to 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). When calculated, the market value of the shares on maturity did not meet the minimum threshold of £18 and therefore the FSP scheme did not meet the vesting criteria.

IFRS 2 stipulates that there is no adjustment to the Group's statement of comprehensive income where the scheme does not vest due to a market-based condition, and so there is no adjustment required to recognise that the scheme will not vest.

The vesting period for the awards differed depending on the seniority of the colleagues in question. To be eligible for the award, employees needed to remain in employment on the vesting date, details of which were 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

In accordance with IFRS 2 the FSP scheme 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 has accrued over five financial periods in line with the original vesting period, up until financial year 2022.

A credit of £0.6m (2021: charge of £0.5m) has been recorded in the Group statement of comprehensive income during the year.

The number of share awards granted in the period is nil. The scheme ended in January 2022, with none of the vesting criteria met. No share awards under the founder share plan are still in issue at 30 April 2022.

10. Tax

The tax expense comprises:

	Group 2022 £m	 2021 £m
Current tax		
• UK corporation tax charge for the period	4.4	–
• Adjustment in respect of prior periods	3.2	(0.9)
• Overseas tax	–	0.8
Total current tax (credit)/expense	7.6	(0.1)
Deferred tax		
• Origination and reversal of temporary differences	(0.8)	7.9
• Deferred tax asset movements in respect of tax losses	–	(7.7)
• Adjustment in respect of prior periods	(2.0)	3.2
• Effect of UK rate change	(12.7)	–
Adjusting tax expense/(credit)	3.0	(3.9)
Total deferred tax (credit)	(12.4)	(0.5)
Total tax (credit)	(4.8)	(0.6)

The tax credit on the statutory adjusted profit is £4.8m (2021: £0.6m credit). The net tax expense on adjusting items totals £3.0m (2021: £3.9m tax credit).

An adjusting tax charge of £3.0m arises as a result of impairments to the right-of-use asset values, a £0.1m adjusting tax credit as a result of impairments to property, plant and equipment and onerous leases at the balance sheet date; an adjusting tax charge of £3.4m arises in connection with movements on the derivative contracts; and, a £0.5m exceptional charge arises in respect to adjustments to carry values of lease assets and liabilities.

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

	Group 2022 £m	 2021 £m
Profit/(loss) before tax	17.9	(36.7)
Profit/(loss) multiplied by the standard rate in the UK – 19.0% (2021: 19.0%)	3.4	(7.0)
Expenses not deductible for tax purposes	1.7	–
Non-Deductible JV Loss	(12.7)	–
Uncertain tax position		1.3
Permanent differences	–	0.8
Overseas tax differentials	0.5	(1.0)
Deferred tax not recognised	2.4	2.4
Adjust closing UK deferred tax balance to 25% tax rate	(2.5)	–
Effect of tax rate changes	–	0.2
Adjustment in respect of prior periods	2.4	2.7
Total tax (credit)/expense excluding adjusting items	(4.8)	(0.6)

The Group has a tax credit on adjusted profits of £7.8m (2021: £3.3m loss) and a tax charge on adjusting losses of £3.0m (2021: £3.9m credit). Taken together the Group has a tax credit of £4.8m (2021: £0.6m credit). The Group's total effective tax rate is lower than the statutory rate of tax of 19%.

This is primarily due to the revaluation of UK deferred tax assets to the future enacted tax rate of 25%, level of overseas losses in relation to which no tax benefit has been recognised, movements in amounts recognised in respect of leases, and the creation of a provision for uncertain tax positions.

On 24 May 2021, Finance Bill 2021 substantively enacted provisions to increase the main rate of UK corporation tax to 25% from 1 April 2023. On 23 September 2022, the UK Government announced an intention to reverse this increase, and to keep the main rate at 19% from 01 April 2023 however this intention has not yet been substantively enacted. Accordingly, deferred tax balances relating to the UK as at 30 April 2022 have been measured at a rate of 25%. If we were to restate the deferred tax assets at 30 April 2022 using the announced proposal of a 19% future rate, the maximum potential impact would be a decrease to the deferred tax asset recognised by c.£13m.

11. Earnings per share

	Group	
	2022 £m	2021 £m
Earnings		
Profit/(loss) for the period attributable to owners of the Company	22.7	(36.1)
	No.	No.
Number of shares at year-end	81,360,187	82,041,820
Weighted average number of ordinary shares – basic	81,879,072	82,028,188
Effect of dilutive options and contingent shares	3,098,395	–
Weighted average number of ordinary shares – diluted	84,977,467	82,028,188
Basic earnings per share (pence)	27.7	(44.0)
Diluted earnings per share (pence)	26.7	(44.0)

Adjusted earnings per share

	Group	
	2022 £m	2021 £m
Earnings		
Adjusted profit/(loss) for the period attributable to the owners of the Company	29.7	(15.9)
	No.	No.
Weighted average number of ordinary shares – basic	81,879,072	82,028,188
Weighted average number of ordinary shares – diluted	84,977,467	82,028,188
Adjusted basic earnings per share (pence)	36.3	(19.4)
Adjusted diluted earnings per share (pence)	35.0	(19.4)

The weighted average number of shares is stated after the deduction of Superdry Plc shares held in trust by Supergroup Plc Employee Benefit Trust.

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

12. Dividends

	Group and Company	
	2022 £m	2021 £m
Equity – ordinary shares		
Interim for the 53 weeks to 30 April 2022 – nil (2021: nil per share)	–	–
Final dividend for the 52 weeks to 24 April 2021 – nil (2021: nil per share)	–	–
Total dividends paid	–	–

Given the continued uncertainty in the trading environment and in order to maintain liquidity, the Board did not propose an interim dividend and has made the decision not to recommend a final dividend for 2022.

13. Property, plant and equipment

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

	Group				
	Land and buildings £m	Leasehold improvements £m	Furniture, fixtures and fittings £m	Computer equipment £m	Total £m
53 weeks ended 30 April 2022					
Cost					
At 24 April 2021	5.3	204.9	67.1	30.6	307.9
Exchange differences	–	(0.9)	–	0.2	(0.7)
Additions	–	4.6	4.1	0.6	9.3
Disposals	(0.1)	(19.5)	(6.5)	(1.0)	(27.1)
At 30 April 2022	5.2	189.1	64.7	30.4	289.4
Accumulated depreciation and impairments					
At 24 April 2021	1.1	191.8	58.0	27.6	278.5
Exchange differences	–	(1.2)	–	0.2	(1.0)
		(19.0)	(6.0)	(1.0)	(26.0)
Disposals	–				
Depreciation charge	–	7.4	4.2	1.5	13.1
Net impairment charges and reversals	–	2.5	–	–	2.4
At 30 April 2022	1.1	181.4	56.2	28.3	267.0
Net book value at 30 April 2022	4.1	7.7	8.5	2.1	22.4

The above property, plant and equipment net impairment movement of £2.4m constitutes part of the total net impairment of £16.8m in 2022 and related to an impairment review performed on store assets. For further details on this please see notes 2 and 6. The impairment has been included within adjusting items in FY22.

	Group				
	Land and buildings £m	Leasehold improvements £m	Furniture, fixtures and fittings £m	Computer equipment £m	Total £m
52 weeks ended 24 April 2021					
Cost					
At 26 April 2020	5.3	213.5	66.4	30.1	315.3
Exchange differences	–	(2.6)	(0.8)	(0.3)	(3.7)
Additions	–	2.3	3.5	1.0	6.8
Disposals	–	(8.3)	(2.0)	(0.2)	(10.5)
At 24 April 2021	5.3	204.9	67.1	30.6	307.9
Accumulated depreciation and impairments					
At 26 April 2020	1.0	190.1	55.2	27.3	273.6
Exchange differences	–	(2.4)	(0.8)	(0.3)	(3.5)
Disposals	–	(8.2)	(2.0)	(0.2)	(10.4)
Depreciation charge	0.1	9.5	5.1	0.8	15.5
Net impairment charges and reversals	–	2.8	0.5	–	3.3
At 24 April 2021	1.1	191.8	58.0	27.6	278.5
Net book value at 24 April 2021	4.2	13.1	9.1	3.0	29.4

The above property, plant and equipment net impairment movement of £3.3m constitutes part of the total net impairment of £10.7m in 2021 and relates to an impairment review performed on store assets. For further details on this please see notes 2 and 6. This impairment has been included within adjusting items in FY21.

14. Intangible assets

	Group					
	Trademarks	Website and software	Lease premiums	Distribution agreements	Goodwill	Total
	£m	£m	£m	£m	£m	£m
53 weeks ended 30 April 2022						
Cost						
At 24 April 2021	5.3	60.2	14.2	14.9	21.5	116.1
Exchange differences	–	–	(0.2)	0.2	(0.8)	(0.8)
Additions	0.5	8.0	–	–	–	8.5
Disposals	–	–	(12.6)	–	–	(12.6)
At 30 April 2022	5.8	68.2	1.4	15.1	20.7	111.2
Accumulated amortisation						
At 24 April 2021	3.3	43.5	14.2	13.4	–	74.4
Exchange differences	–	–	(0.2)	(0.3)	–	(0.5)
Amortisation charge	0.4	7.0	–	0.2	–	7.6
Disposals	–	–	(12.6)	–	–	(12.6)
At 30 April 2022	3.7	50.5	1.4	13.3	–	68.9
Net book value at 30 April 2022	2.1	17.7	–	1.8	20.7	42.3

	Group					
	Trademarks	Website and software	Lease premiums	Distribution agreements	Goodwill	Total
	£m	£m	£m	£m	£m	£m
52 weeks ended 24 April 2021						
Cost						
At 26 April 2020	4.3	54.2	14.3	15.7	21.5	110.0
Exchange differences	–	–	–	(0.8)	–	(0.8)
Additions	1.0	6.0	–	–	–	7.0
Disposals	–	–	(0.1)	–	–	(0.1)
At 24 April 2021	5.3	60.2	14.2	14.9	21.5	116.1
Accumulated amortisation						
At 26 April 2020	2.9	31.1	14.3	13.3	–	61.6
Exchange differences	–	–	–	(0.2)	–	(0.2)
Amortisation charge	0.4	10.3	–	0.3	–	11.0
Impairment charges	–	2.1	–	–	–	2.1
Disposals	–	–	(0.1)	–	–	(0.1)
At 24 April 2021	3.3	43.5	14.2	13.4	–	74.4
Net book value at 24 April 2021	2.0	16.7	–	1.5	21.5	41.7

The above impairment charge of £2.1m relates to an impairment review performed on website and software assets. For further details on this please see note 6. This impairment has been included within adjusting items in FY21.

Impairment of goodwill

Goodwill of £20.7m is split between the Group's operating segments as £13.8 (2021: £14.3m) for Wholesale, £4.4m (2021: £4.7m) for Ecommerce and £2.5m (2021: £2.5m) for Stores.

An impairment test is a comparison of the carrying value of assets of a business or cash generating unit (CGU) to their recoverable amount. The Group monitors goodwill for impairment at a segmental level. Wholesale and

Ecommerce are defined as individual CGUs, and the Stores segment is a group of CGUs. These segments represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

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 Group's medium-term plan has been used as the basis for this calculation.

As identified in note 6, store assets have been impaired in the current year, where each store is assessed as an individual CGU. Goodwill is monitored at a total Stores segment level, not at an individual store level, and instead includes individually profitable stores in the assessment. Additionally, the cash flows in the goodwill impairment analysis are included over a 10-year period, compared to the lease expiry period in the store impairment assessment.

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 11.6% (2021: 11.6%) is derived from the Group's post-tax weighted average cost of capital of 12.4% (2021: 10.9%).

Operating cash flows

The key assumptions within the forecast operating cash flows include the growth rates in both sales and gross profit margins. This is especially dependent upon assumptions around the ability of the Group to pass increased input costs on to consumers. Key assumptions also include changes in the operating cost base in light of current inflationary pressure, and the level of capital expenditure, as set out in the medium-term financial plan. Judgement is also required in determining an appropriate allocation of central costs. Central costs have been allocated where there is a reasonable and consistent basis for apportionment.

Long-term growth rates

To forecast beyond the Group's medium-term plan, long-term average growth rates ranging from 0% to 2.0% (2021: 2.0%) have been used. The recoverable amount of each subsidiary is calculated in reference to the value over the medium-term financial plan period, extrapolated for an additional five years at the long-term growth rate of 2.0% (2021: additional five years at 2.0%).

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 been performed. The present values of the future cash flows of the Stores, Ecommerce and Wholesale CGUs are significant and are insensitive to any reasonably possible changes to key assumptions.

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, details of which are provided in the Directors' Remuneration Report, 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. This is with the exception of an outstanding loan to Phil Dickinson at the reporting date for an amount of £0.8m (2021: nil). In addition, £0.2m of a £0.4m onboarding payment made to Phil Dickinson, which was repayable under the terms of the employment agreement, has been waived in the year.

During the reporting period, the Group has spent £0.1m (2021: £0.1m) on travel and subsistence through companies in which Julian Dunkerton has a personal investment. The balance outstanding at 30 April 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 (2021: £0.1m). The balance outstanding at 30 April 2022 was £nil (2021: £nil).

16. 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 £3.4m (2021: £3.4m).

17. Leases

Right-of-use asset

	Group
53 weeks ended 30 April 2022	Right-of-use asset £m
Cost	
At 24 April 2021	343.4
Additions	50.6
Disposals	(26.4)
Lease modifications	(4.1)
Exchange rate difference	(1.5)
At 30 April 2022	362.0

	Group
Accumulated depreciation	Right-of-use asset £m
At 24 April 2021	252.3
Depreciation charge	28.0
Disposals	(12.2)
Net impairment charges and reversals	14.4
Exchange rate difference	(0.7)
At 30 April 2022	281.8
Net balance sheet amount at 30 April 2022	80.2

The above right-of-use asset net impairment movement of £14.4m (2021: £7.4m) constitutes part of the total net impairment of £16.8m in 2022 (2021: £10.7m) and relates to an impairment review performed on store assets with the remaining £2.4m (2021: £3.3m) relating to property, plant and equipment. For further details on this please see notes 2 and 6. This impairment has been included within adjusting items in the current and prior year.

The carrying amount of the right-of-use asset is split between motor vehicles of £0.1m (2021: £0.3m) and property of £80.1m (2021: £89.9m).

	Group
52 weeks ended 24 April 2021	Right-of-use asset £m
Cost	

At 25 April 2020	344.2
Additions	17.0
Disposals	(7.7)
Lease modifications	(7.6)
Exchange rate difference	(2.5)
At 24 April 2021	343.4

	Group
Accumulated depreciation	Right-of-use asset £m
At 25 April 2020	226.2
Depreciation charge	27.3
Disposals	(7.5)
Net impairment charges and reversals	7.4
Exchange rate difference	(1.1)
At 24 April 2021	252.3
Net balance sheet amount on 24 April 2021	91.1

Items in the Group statement of comprehensive income not impacted by IFRS 16 are:

	Group	
	2022 £m	2021 £m
Lease expense relating to short-term assets	1.2	4.3
The expense of variable lease payments not included in the lease liabilities	3.2	1.3

The above lease expenses are gross of onerous property related contracts provision, capital contribution releases and rent-free releases.

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 range between 0.3% and 8.5% (2021: 0.3% to 8.5%).

	Group	
Analysed as:	2022 £m	2021 £m
Current lease liability	66.1	94.1
Non-current lease liability	151.2	175.5
Total lease liability	217.3	269.6

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

	Group	
	2022 £m	2021 £m
Less than one year	66.1	94.1
One to two years	50.2	54.3
Two to three years	42.8	43.8
Three to four years	28.5	36.7
Four to five years	19.9	25.5
More than five years	18.6	24.4
Total undiscounted lease liability	226.1	278.8

Reconciliation of liabilities to cash flow arising from financing activities:

	Group	
	2022 £m	2021 £m
Opening lease liability	269.6	320.9
Payment of lease liability	(71.7)	(45.4)
Present value of Covid-19 rent concessions and deferrals	(3.7)	(4.2)
Increase due to lease additions and modifications	54.9	18.0
Decrease due to lease disposals and modifications	(34.7)	(21.3)
Interest expense	5.1	5.5
Foreign exchange differences	(2.2)	(3.9)
Closing lease liability	217.3	269.6

All movements in the table above are non-cash movements except for payment of lease liability and interest expense which are cash movements.

18. Note to the cash flow statement

Reconciliation of operating profit to cash generated from operations

		Group	
	Note	2022 £m	2021 £m
Operating profit/(loss)		25.9	(29.5)
Adjusted for:			
• Loss/(gain) on derivatives		(13.7)	4.7
• Depreciation of property, plant and equipment and right-of-use assets	13,17	41.1	43.9
• Amortisation of intangible assets	14	7.6	11.0
• Impairment of property, plant and equipment, right-of-use assets and intangible assets		16.8	12.8
• Loss on disposal of property, plant and equipment		1.1	0.1
• Lease modifications	17	(16.8)	(14.3)
• IFRS 16 Covid-19 rent concessions		(3.7)	(4.0)
• Increase in onerous property related contracts provision (net of releases on exited stores)		0.5	4.6
• Increase in other provisions		-	1.6
• Employee share award schemes	8	2.0	1.1
• IFRS 2 charge – FSP	9	(0.6)	0.5
• Foreign exchange losses		(12.6)	0.5
• Net (release)/increase of inventory provision		(0.4)	2.3
• Net impairment (credit)/loss of trade receivables		(1.8)	(3.8)
Operating cash flow before movements in working capital		45.4	29.7
Changes in working capital:			
• Decrease in inventories		16.7	6.2
• (Increase) in trade and other receivables		(13.6)	(10.8)
• Increase/(decrease) in trade and other payables and provisions		(1.3)	25.0
Cash generated from operating activities		47.2	50.1

Group cash flows arising from adjusting items are £nil (2021: £1.4m).

19. Net cash/(debt)

Group

	2021 £m	Cash flow £m	Non-cash changes £m	2022 £m
Cash and bank balances	38.9	(18.8)	0.4	20.5
Overdraft	–	(3.1)	–	(3.1)
Cash and cash equivalents	38.9	(21.9)	0.4	(17.4)
ABL Facility	–	(18.4)	–	(18.4)
Net cash/(debt)	38.9	(40.3)	0.4	(1.0)

Non-cash changes relate to exchange gains on cash and cash equivalents. Interest of £2.9m (2021: £7.2m) has been incurred in respect of short-term facilities.

A reconciliation of movements of liabilities to cash flows arising from financing activities excluding lease liability is included below:

	Group
	ABL £m
Balance at 25 April 2021	–
Changes from financing cash flows:	
Payment of lease liabilities – principal amount	–
Drawdown of ABL	164.7
Payment of interest	(2.9)
Repayment of ABL	(146.3)
Total changes from financing cash flows	15.5
Other Changes:	
Present value of COVID 19 rent concessions and deferrals	–
Increase due to lease additions and modifications	–
Decrease due to lease disposals and modifications	–
Interest expense	2.9
Foreign exchange differences	
Balance at 30 April 2022	18.4

See note 22 for an explanation of the use of net cash/debt.

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 – Group accounts

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 Store and Ecommerce customers, including outstanding receivables and committed transactions. For Wholesale customers, management assesses the credit quality of the customer, considering 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 to be settled net with cash balances (2022 overdrafts: £3.1m, 2021 overdrafts: £nil). These balances have been excluded from contractual cash flows.

Sales to Store and Ecommerce customers are settled in cash, by major credit cards, or other online payment providers. Credit risk from cash and cash equivalents is managed via banking with well-established banks with a strong credit rating.

Impairment of financial assets

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 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 considered 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, cash and trade and other receivables.

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.

Credit risk – Company accounts

The ECL model is required to be applied to the intercompany receivable balances, which are classified as held at amortised cost. The increase in the loss allowance during the current year relates to a deterioration in the borrower's credit risk during the current period.

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.
- 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 30 April 2022 and 24 April 2021, 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.

On 30 April 2022, if the currency had weakened/strengthened by 20% against both the US Dollar and Euro with all other variables held constant, profit for the period would have been £17m (2021: £13.8m) 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 20% 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:

	Group			
	2022 US Dollar £m	2022 Euro £m	2021 US Dollar £m	2021 Euro £m
Financial assets				
Trade receivables	5.2	35.7	2.5	40.5
Cash and cash equivalents	7.9	5.6	3.5	20.1
Financial assets exposure	13.1	41.3	6.0	60.6
Financial liabilities				

Trade payables	(2.3)	(11.4)	(8.3)	(11.1)
Lease liabilities	(24.5)	(93.9)	(29.7)	(116.3)
Overdrafts	–	(7.1)	–	–
Financial liabilities exposure	(26.8)	(112.4)	(38.0)	(127.4)
Net exposure	(13.7)	(71.1)	(32.0)	(66.8)

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 to be settled net with cash balances (2022: £3.1m overdraft, 2021: £nil overdraft). These balances have been excluded from contractual cash flows.

In light of the external challenges currently faced by the Group, which include input price inflation, the impact of high inflation on consumer spending and the longer-term impact of COVID-19 on consumer behaviour, the Group is closely managing cash flows through reduced capital expenditure and tight control over day-to-day spend. There additionally continues to be a focus on improving operational efficiency through reducing stock levels and through achieving cost savings.

The Group has an up to £70m Asset Backed Lending Facility with HSBC and BNPP, which expires in January 2023. Given that negotiations for the extension or replacement of the current facility are ongoing, there exists a material uncertainty in respect of going concern. The Directors consider that the current up to £70m facility is sufficient until expiry in January 2023. Management believe they will be able to secure committed financing prior to the end of the current arrangement and are currently in positive discussions with a number of prospective lenders.

Maturity of undiscounted financial liabilities (excluding derivatives)

The expected maturity of undiscounted financial liabilities is as follows:

	2022 £m	2021 £m
In one year or less	128.7	105.0
In two to five years	2.0	1.2

The above balances relate to trade payables, other payables, accruals and overdrafts. 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:

	Group					
			2022			2021
	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	–	–	2.7	–

Liabilities						
Derivative financial instruments						
• forward foreign exchange contracts	–	(0.5)	–	–	(7.2)	–

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 30 April 2022.

The notional principal amount of the outstanding outright FX contracts as at 30 April 2022 was £105.4m (2021: £103.0m). There are no structured forward foreign exchange contracts in place as at 30 April 2022 (2021: no structured forward foreign exchange contracts in place).

Derivative financial instruments

There is a master netting agreement in place in relation to derivatives. All cash flows will occur within 24 months (2021: 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	
	2022 £m	2021 £m
Forward foreign exchange contracts – current	8.9	2.4
Forward foreign exchange contracts – non-current	0.9	0.3
Total derivative financial assets	9.8	2.7
Forward foreign exchange contracts – current	0.5	5.7
Forward foreign exchange contracts – non-current	–	1.5
Total derivative financial liabilities	0.5	7.2

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. The fair value of derivatives at 5 October 2022 is £5.9m.

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 2021.

Consistent with others in the industry, the Group monitors capital based on the gearing ratio. This ratio is calculated as net debt divided by total capital employed. Net debt is defined in note 22. Total capital employed is calculated as "equity" as shown in the consolidated balance sheet plus net debt. The Group is in a net debt position on 30 April 2022 (2021: net cash position).

The Board has put in place a distribution policy which considers 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. If appropriate, 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 adjusted profit after tax (see note 36 for definition). Considering the current economic climate and consistent with the FY21 decision, the Board did not propose an interim dividend and has made the decision not to recommend a final dividend for FY22.

The capital structure is as follows:

	Group

	2022 £m	2021 £m
Equity	103.9	90.4
Cash and cash equivalents	20.5	38.9
Borrowings	(21.5)	–
Net cash and cash equivalents	(1.0)	38.9

	Group					
	Assets at fair value through profit or loss 2022 £m	Financial assets at amortised cost 2022 £m	Total 2022 £m	Assets at fair value through profit or loss 2021 £m	Financial assets at amortised cost 2021 £m	Total 2021 £m
Trade and other receivables excluding non-financial assets	–	76.3	76.3	–	84.7	84.7
Derivative financial instruments	9.8	–	9.8	2.7	–	2.7
Cash and cash equivalents	–	20.5	20.5	–	38.9	38.9
Financial instruments – assets	9.8	96.8	106.6	2.7	123.6	126.3

	Group					
	Liabilities at fair value through profit or loss 2022 £m	Other financial liabilities at amortised cost 2022 £m	Total 2022 £m	Liabilities at fair value through profit or loss 2021 £m	Other financial liabilities at amortised cost 2021 £m	Total 2021 £m
Derivative financial instruments	0.5	–	0.5	7.2	–	7.2
Lease liabilities	–	217.3	217.3	–	269.6	269.6
Borrowings	–	21.5	21.5	–	–	–
Trade and other payables excluding non-financial liabilities	–	109.1	109.1	–	106.2	106.2
Financial instruments – liabilities	0.5	347.9	348.4	7.2	375.8	383.0

21. Share capital

Authorised, allotted and fully paid 5p shares

Group and Company	Number of shares	Value of shares (£m)
30 April 2022	82,129,177	4.1
30 April 2021	82,041,820	4.1

87,357 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, as well as under other schemes issued to certain members of senior management. This represents the only movement in share capital in the year.

The number of shares stated above includes all Superdry Plc shares, including those held by the Supergroup Plc employee benefit trust. See below for a summary of the shares held by the trust at 30 April 2022.

Employees Share Option Plan (ESOP)

Group and Company	Number of shares	Value of shares (£m)
30 April 2022	768,990	2.0

During the year, the Supergroup Plc employee benefit trust purchase 768,990 of Superdry Plc's shares in order to settle future obligations under the Group's share based incentive schemes. The employee benefit trust has been consolidated in the Group and Company financial statements, with the shares recognised in a separate ESOP reserve.

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 in this Annual Report 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;
- asset impairment charges and onerous property related contracts provision;
- the movement in the fair value of unrealised financial derivatives; and
- IFRS 2 charges in respect of Founder Share Plan (FSP).

If other items meet the criteria, which are applied consistently from year to year, they are also treated as adjusting other items.

Adjusting items in this period

The following items have been included within ''Adjusting items'' for the period ended 30 April 2022:

Fair value remeasurement of foreign exchange contracts – financial years 2022 and 2021

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.

Restructuring, strategic change and other costs – financial year 2021

Adjusting items in the prior year included costs resulting from the restructuring programme announced in the FY20 Group Annual Report. The Directors considered these to be adjusting due to their size and their one-off nature

In FY20, the Board and Executive Committee reviewed the long-term business plan for the Trendy & Superdry Holding Limited joint venture. Following discussions with the joint venture partner and considering the challenging retail environment due to Covid-19, both parties agreed to end the relationship.

No further costs have been recognised in FY22 in respect of the wind-up of the business. A total cost of £1.0m was recognised as an adjusting item in FY21.

Store asset impairment and onerous property related contracts provision – financial years 2022 and 2021

A store asset impairment and onerous property related contracts provision review was performed during the year across the Group's store portfolio. An adjusting net impairment charge of £16.8m of property, plant and equipment, 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 contract charge of £1.5m has been recognised.

A similar exercise was performed in financial year 2021 across all store assets, resulting in a fixed asset impairment of £10.7m and an onerous property related contracts provision charge of £5.1m.

The Directors consider the store impairment and onerous property related contracts provision to be an adjusting item due to the materiality of the charge. See notes 2 and 6 for further details.

Founder Share Plan (FSP) – IFRS 2 charge – financial years 2022 and 2021

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 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. 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. Accordingly, no further expense or credit will be recognised in profit and loss in respect of the scheme in future periods. See note 9 for further details of the FSP.

Intangible asset impairments – financial year 2022

The Group recognised impairment charges in the prior year for website and software intangible assets. No impairment was identified in the current year in respect of website and software intangible assets (2021: £2.1m).

The Directors consider the website and software intangible asset impairment to be an adjusting item due to the one-off nature of the review. It is the Group's policy to present asset impairment charges as adjusting items. See notes 2 and 6 for further details.

Adjusted operating profit 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.

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

	2022 £m	2021 £m
Reported revenue	609.6	556.1
Operating profit/(loss)	25.9	(29.5)
Adjusting items	4.0	24.1
Adjusted operating profit/(loss)	29.9	(5.4)

	2022 £m	2021 £m
Operating margin	4.2%	(5.3)%
Adjusted operating margin	4.9%	(1.0)%

Adjusted profit/(loss) before tax

In the opinion of the Directors, adjusted profit/(loss) 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 profit/(loss) 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.

A reconciliation from loss before tax, the most directly comparable IFRS measure, to the adjusted loss before tax is set out below.

	2022 £m	2021 £m
Profit/(loss) before tax	17.9	(36.7)
Adjusting items	4.0	24.1
Adjusted profit/(loss) before tax	21.9	(12.6)

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 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 adjusted tax expense is set out below:

	2022 £m	2021 £m
Adjusted profit/(loss) before tax	21.9	(12.6)
Tax credit/(expense)	4.8	0.6
Adjusting items – current tax	–	–
Adjusting items – deferred tax	3.0	(3.9)

Adjusted tax credit/(expense)	7.8	(3.3)
Adjusted effective tax rate	35.6%	26.2%

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 33 for the Group's net cash/(debt) position. This position is exclusive of financial liabilities in relation to IFRS 16.

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.

23. Government assistance

The Group received government support within the UK and EU territories during the current and prior years 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 £0.3m was recognised in the year (2021: £9.2m), through the UK's Coronavirus Job Retention Scheme (CJRS) and equivalent schemes in other countries. A provision of £1.6m (2021: £1.6m) has been recognised to cover any existing furlough related clawbacks, as outlined in note 28.

The business rates reductions from the UK government totalled £4.6m (2021: £15.7m).

Lost revenue and subsidy support in the UK and other territories of £1.7m has been recognised in the year (2021: £2.5m).

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.

24. Post balance sheet events

There are no events that are material in value or nature that constitute disclosure as post balance sheet events.

25. Principal Risks & Uncertainties

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

- Impact on the business from the current macro economic climate, largely due to significant inflationary pressures, most notably in energy prices resulting in cost-of-living increases and squeezed disposable income.
- 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 may significantly impede our ability to trade, particularly during the peak trading period from November to January.
- Elevated stock levels represent a risk in terms of shortfall in cash flow and additional storage costs.
- Poor performance across our global, omni-channel proposition.

- Significant control failure leads to financial loss, heightened risk of fraud and error, increased audit fees and prior year adjustments.
- 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.
- Risk of significant changes in currency exchange rates.
- 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.
- Inability to re-finance the existing ABL facility ahead of FY23 working capital peak.
- The revised strategy is not implemented effectively, impacting the success of the business and eroding corporate and investor sentiment.
- Failure to deliver on our growth aspirations in the Group's key future development markets, causing distraction and poor returns.
- Failure to meet environmental regulatory requirements and stakeholder expectations adversely impact our brand.
- Failure by suppliers to adhere to our Ethical Trading Code of Practice erodes our reputation as a responsible brand.