SuperdryPlc

('Superdry' or "the Company")

16 September 2021

Preliminary Results for the 52 weeks ending 24 April 2021

Sharpened strategy sets out key pillars of brand reset
Performance significantly impacted by Covid-19 disruption

Superdry announces its Preliminary results covering the 52-week period from 26 April 2020 to 24 April 2021 ("FY21") and a trading update covering the 18-week period from 25 April 2021 to 28 August 2021.

	Full Year		
£m	FY21	FY20	Year-on-year
Group Revenue[1,2]	£556.1m	£704.4m	(21.1)%
Gross Margin	52.7%	53.6%	(0.9)%pts
Adjusted loss before tax[3]	£(12.6)m	£(41.8)m	(69.9)%
Adjusting items[3]	£(24.1)m	£(125.1)m	(80.7)%
Statutory loss before tax	£(36.7)m	£(166.9)m	(78.0)%
Adjusted basic loss per share[3]	(19.4)p	(43.5)p	(55.4)%
Basic loss per share	(44.0)p	(174.9)p	(74.8)%
Net working capital[3]	£124.1m	£147.0m	(15.6)%
Net cash position[3]	£38.9m	£36.7m	6.0%

Julian Dunkerton, Chief Executive Officer, said:

"Like most brands with a physical presence, our performance over the past year has been impacted by the significant disruption of Covid-19, but I am really proud of how the business has stepped up and returned to revenue growth in Q4. Store and Wholesale revenues are recovering well despite continued subdued footfall, and Ecommerce margin is benefitting from our return to a full price stance.

We have used this time effectively to accelerate our brand reset and put the business in the best possible position for the future. We have strengthened the team with the appointments of Shaun Wills as CFO, Silvana Bonello as COO and Peter Sjölander as Chairman, and we're sharpening our strategic focus on the key areas of our brand and product, our engagement with our customers, our operations and on sustainability.

All of us at Superdry are driven by our goal of being the leading listed sustainable fashion brand. There's a lot still to do but I'm thrilled that we have been recognised for our efforts, recently being ranked 1st in the Financial Times list of Europe's Climate Leaders 2021, and winning Drapers' Sustainable Fashion Awards 2021 'Positive Change Award'. Our accelerated sustainability targets will see all our pure cotton garments produced entirely from organic cotton by 2025, achieved through supporting 20,000 farmers in India. This initiative was recognised with my award for Best Organic Ambassador by The Soil Association, the UK's only organic awards.

I'm in no doubt that we're turning the corner and there's a lot to be excited about. Trading has been encouraging since the reopening of our stores, and we'll take a big step forward as a brand with the opening of our global flagship store in Oxford Street later in the Autumn. Whilst a lot remains uncertain, I'm looking ahead to 2022 and beyond with real confidence as we deliver our reset."

Financial overview

- Total revenue down 21.1% to £556.1m, a reflection of the significant impact from Covid-19 related disruption resulting in 39% of store days lost[4] in FY21 (10% in FY20).
- Gross margin decreased by 90bps to 52.7%, with our return to a full price trading stance online in Q4 more than offset by the focus on cash preservation driving increased online promotional activity at the start of the pandemic.
- Full year adjusted loss before tax of £(12.6)m (FY20: £(41.8)m), with cost saving measures and government support helping to offset trading shortfalls. FY21 includes a £33.8m year-on-year benefit from reduced depreciation, primarily due to the FY20 impairment charge, and a £14.3m accounting credit due to lease modifications.
- Statutory loss before tax of £(36.7)m (FY20: £(166.9)m) includes a store impairment charge and onerous property related contracts provision expense of £15.8m (FY20: £124.8m).
- The Board has decided not to propose a final dividend for FY21.
- Total deferred rent in FY21 was £40m (inclusive of VAT), of which £11m is recognised in Trade and other Payables (non-IFRS 16 leases) and £24m in Lease Liabilities (IFRS 16 leases).
- Net working capital inflow of £22.9m year-on-year driven by a combination of tight control over inventory resulting in a decrease of £10.4m, receivables increased by £10.7m and payables increased by £23.2m.

- Liquidity has remained strong with net cash up 6.0% at £38.9m, having not drawn down on our ABL facilities at any point during the period, owing to our continued discipline on cash preservation.

Strategic and operational highlights

During FY21 we sharpened our strategy to deliver on our mission: "to inspire and engage style obsessed consumers, while leaving a positive environmental legacy". This clarity has allowed the entire business to align behind the strategy, which will be delivered through four key pillars.

1) Inspire through product & style

Our focus on customer segmentation, delivered through five distinct collections, will allow us to inspire the right consumers with the right experiences, both online and in-store.

FY21 highlights included:

- Extending the segmentation of our range into five collections, as well as identifying teen consumers (13-15 year olds) as a significant opportunity. Augmenting the mainline collections, we launched our first short order collection online, allowing us to capitalise on the in-season 'tie-dye' trend.
- During the pandemic we re-merchandised four key UK stores to fully showcase these new ranges, driving comparatively stronger trading performance in those locations versus the wider portfolio.
- Introduction of the Centre of Excellence innovation hub within our creative team

2) Engage through social

We will grow the number of followers and engagement across all our social platforms through our 'social-first' brand marketing approach, driving demand and traffic. A clear programme of improvements in our Ecommerce platform is focused on enhancing the customer experience and driving online conversion.

FY21 highlights included:

- Active customer database up 3% year-on-year, supported by investment into brand marketing activity, such as the recent campaign with Neymar Jr.
- Grew social followers by 6% year-on-year to 3.3m, with the pace accelerating in FY22 to date.
- Re-platforming of our Ecommerce websites to microservices on-track for early 2022 delivery.

3) Lead through sustainability

Our ambition is to be the most sustainable listed global fashion brand by 2030, becoming the 'Go-To' destination for sustainable product.

FY21 highlights included:

- Achieved 1st place in the inaugural Financial Times "Europe's Climate Leaders 2021" survey, which analysed the reduction in greenhouse gas (GHG) emissions between 2014-2019 for 300+ companies.
- 33% of product purchased in the financial year was sustainably sourced[5], up 16%pts year-on-year, in line with our accelerated commitment to ensure all pure cotton items are organic by five years to 2025.
- In FY21 33% of all garments containing organic, recycled, and low impact fibres including Tencel, Hemp, Yak or Linen generated around 35% of our AW20 and SS21 revenue.

4) Make it happen

Our integrated, multi-channel operation will be delivered through operational enablers and efficiencies across our end-to-end supply chain, amplified by a re-energised corporate culture.

FY21 highlights included:

- We remain committed to the high street and post year-end we announced our exit from Regent Street and our move to a prime higher footfall location on Oxford Street.
- Won three logistics industry awards recognising our use of robotics, which has more than trebled our pick and put-away efficiency rates for Ecommerce returns.
- As part of our continued lease renegotiations, we renewed 39 stores in FY21 representing an annualised cash saving of £5.3m[6]. In addition, there were £7.7m of one-off rent savings recognised in FY21, and we are targeting in excess of £10m in FY22.

Current Trading

The table below shows the revenue change on a 1- and 2-year basis for the 18-week period ending 28 August 2021:

Revenue change (%)	vs FY21 (1-year)	vs FY20 (2-year)
Group revenue	1.9%	(29.6)%
By channel:		
Stores	33.1%	(36.9)%
Ecommerce	(34.4)%	8.2%
Wholesale	12.7%	(35.8)%

Group revenue increased 1.9% year-on-year as Covid-related restrictions eased, but high street footfall remained subdued, which continue to impact our physical trading channels.

As anticipated, store revenue rebounded strongly against FY21, with the UK (+76%) and the US (+169%), lapping temporary store closures in the prior year. This was partially offset by the EU which suffered from further closures at the start of the current period (-10%).

Ecommerce sales were more modest against the extraordinary growth we experienced in the prior year. The return to full-price trading resulted in a less pronounced uplift during the sale period, but did drive online gross margin up 10.5%pts year-on-year.

Wholesale revenues have started to recover, increasing 12.7% year on year as our partners gain more confidence in the macroeconomic outlook. We would expect this recovery to continue as they sell through carried forward stock and see their markets return to normality.

Outlook

Whilst significant market uncertainty remains, we do expect a recovery in total revenue in FY22, driven by:

- Improving store trading from gradually improving footfall throughout the year, although not reaching historic levels;
- Strong 2-year Ecommerce growth compared to FY20, but supressed year-on-year as we anniversary tough promotion-driven comparatives and some trade switches back into physical stores; and
- A modest, but sustainable revenue recovery in Wholesale

We expect margin to increase across all channels as we transition towards a full price stance, supported by further mix benefits from the switch back into stores.

We expect to generate operating leverage from reduced store rents and payroll compared to pre-Covid levels, although we anticipate a £35-45m year-on-year increase in costs due to one-off benefits recognised in FY21, such as the return of UK business rates, the end of furlough support, and the normalisation of other variable and discretionary costs.

Considering the above, we don't expect a change to the adjusted PBT market expectations for FY22.

We are continuing to focus on cash generation and working capital efficiency in FY22. We expect to reduce inventory by a further 2m units, which will partially offset the unwind of deferred rent and service charges (£40m, inclusive of VAT), some of which we expect to crystallise as permanent savings as we continue to negotiate lease terms.

Recognising the structural growth opportunity in Ecommerce, as well as the geographic and customer segmental targeting opportunities in our Wholesale business, we expect revenue to exceed peak historic levels in the medium term. Disciplined full price trading, continuing rent renegotiations, and the operating leverage from cost savings will also return the business to historic operating profit margins.

Notes

1. Foreign currency sales are translated at the average rate for the month in which they were made.
2. Fulfil From Store sales reallocated to Ecommerce in the current (£8.3m) and prior year comparatives (£1.6m).
3. 'Adjusted', 'Adjusting' and 'Net 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.
4. '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.
5. Sustainably sourced product defined as organic, low impact and/or recycled in line with our Environmental Policy.
6. Cash annualised saving has been calculated based on the effective date of the lease agreement.

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/superdry009. A recording of the event will also be available on our corporate website shortly afterwards.

Superdry is pleased to announce the appointment of Peel Hunt LLP as joint corporate broker to Superdry, with immediate effect.

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Notes to Editors

Our mission is "To inspire and engage style obsessed consumers, while leaving a positive environmental legacy" through hyper-segmentation of twelve consumer types across five collections. 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 231 physical stores and around 475 franchisees and licensees. We operate in over 50 countries and have over 3,750 colleagues globally.

Cautionary Statement

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

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

Chair's Statement

Welcome to Superdry Plc's preliminary results for FY21. I was appointed Chair on 29 April 2021 and I am excited to work with another global brand. During my first few months in post, I have spent time with fellow Board members and senior colleagues at Superdry (as far as restrictions have allowed), familiarising myself with Superdry's business model and operations.

I would like to take this opportunity to thank former Chair, Peter Williams, for his work with the Board and Superdry from April 2019 to April 2021. I would also like to thank all of my new colleagues at Superdry, at our Head Office and in our stores and locations worldwide, for their continued hard work and commitment during this difficult and extraordinary year.

The ways in which the Covid-19 pandemic have impacted our customers, colleagues, suppliers and operations during FY21, and how we have responded to those challenges, have been set out in the Covid-19 Statement. The crisis encouraged the Executive Team to sharpen the strategy, accelerating reviews of digital platforms and of operations across all channels, enabling Superdry to emerge from the pandemic in a good position to drive the strategy forward. I invite you to read about our new strategy, led by Superdry's founder and CEO, Julian Dunkerton, and the Executive Team, in the Chief Executive Officer's Statement. Information on our financial results can be found in the CFO Review.

As the Executive Team starts to implement our new strategy, there is a lot of work to be done, but there is also a lot to look forward to.

Peter Sjölander
Chair, Superdry plc

Our response to Covid-19

Our response to Covid-19

Throughout the pandemic there has been a significant level of uncertainty with restrictions regularly changing depending on local Government advice. Taking decisive actions to protect the long-term financial position of Superdry, whilst ensuring the ongoing wellbeing, health, and safety of our colleagues and customers, has continued to be our top priority.

We have continued to trade online throughout the lockdown periods, sustaining operations in our distribution centres, whilst ensuring all appropriate measures were taken to ensure the health and safety of our staff.

During FY21, an average of 39%[1] of store trading days were lost. However, by the end of June 2021, most of our owned stores had reopened.

Government support

As a consequence of the enforced store closures in FY21 and in order to preserve as many jobs as possible through the peak of the pandemic we furloughed staff across our international owned store estate, corporate offices and distribution centres. The support we received from applicable furlough (or similar) schemes across the UK and EU to date totals £12.1m, with £9.2m recognised in FY21. During the initial wave of the pandemic our Executive team took a temporary pay cut of 20% for three months from 1 April 2020, whilst our CEO and members of the Board took a cut of 25% for six months.

We also benefitted from UK Business Rates relief, equivalent to £15.7m in FY21 (FY20: £1.7m). Currently, this scheme has only been extended for a small number of our qualifying stores and the expected benefit in FY22 is roughly £5m. In addition, the business was eligible for £2.5m of local government grants across a number of markets (FY20: £nil).

As at FY21 year end the Group had a modest deferral of €1.5m for Belgian VAT, with no other material deferrals of VAT, PAYE, or duty across any other territories.

Cash management

Improving operational efficiency and overall liquidity has continued to be a focus during the pandemic through reduced capex, tight control over day-to-day spend and working collaboratively with suppliers.

In FY21, 39 stores' leases were renegotiated representing 17% of our portfolio. The total annualised cash benefit of the leases negotiated in FY21 was £5.3m[2], with an average lease length of 3 years. In addition to the underlying reductions, there were £7.7m of one-off Covid related savings recognised in FY21 and we are anticipating in excess of £10m in FY22. Due to the continuing disruption from enforced closures, there was ~£40m of deferred rent and service charges, inclusive of VAT, as at the FY21 year-end, though we are yet to conclude on the majority of these contracts and so anticipate being able to reduce this liability during FY22.

Inventory decreased by £10.4m to £148.3m through reduced buys and targeted clearance activity, and we will continue to see opportunities to reduce our working capital further in FY22 through optimised stock management.

Given the continued unprecedented levels of uncertainty, the Group's financial performance and the focus on cash preservation, the Board agreed to recommend to shareholders that no final dividend be paid in FY21.

The Group agreed a new Asset Backed Lending (ABL) facility in August 2020 for up to £70m, in addition to a £10m overdraft. As a consequence of the cash preservation measures and government support detailed above, we maintained a net positive cash balance in excess of £20m throughout FY21. Further detail regarding liquidity and our borrowing facilities can be found in the CFO Review.

Employee and customer safety

The Superdry Board and Executive team have continued to ensure robust processes are in place to allow for swift decision making in a rapidly changing environment. The Covid-19 Incident Management Team, comprising of a subset of the Executive Team, has continued to meet throughout the pandemic to manage the response to the crisis.

When our stores reopened, we ensured availability of all necessary cleaning equipment, hygiene products and Personal Protective Equipment (PPE) to keep our employees and customers safe, in line with local government guidelines.

We were an early adopter in introducing lateral flow testing. As we started to return to Head Office in greater numbers, we offered free home testing kits to all our employees and have implemented rigorous social distancing and hygiene measures. Recognising the benefits of flexible working, we made investments in new technology for our meeting rooms and personal equipment to allow a hybrid approach to working.

1. '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.
2. Cash annualised saving has been calculated based on the effective date of the lease agreement.

Chief Executive Officer's Statement

This year has been another one full of Covid-related disruption, but I am incredibly proud of the resilience our team has continued to show, driving the operational and strategic progress needed to position Superdry for success when we emerge from the pandemic.

Like other brands with a physical presence, Covid-19 has had profound and far-reaching impacts on our performance. We lost 39%[1] of our store trading days to enforced closures during FY21 (FY20: 10%), with footfall materially suppressed due to social distancing restrictions, even during periods where we could trade. Though our improving Ecommerce performance mitigated the worst of this impact, Group revenue for the year was down 21%. Despite the fall in revenue, we have improved our full year adjusted loss before tax by 70% and our statutory loss before tax by 78%, with the year-on-year benefit from reduced depreciation, the one-off benefit from lease modifications as well as cost saving measures and government support helping to offset trading shortfalls. Further details on the financial performance in FY21 can be found in the CFO Review.

Our gross margin stepped back by 90bps as our need to react to the pandemic and generate and preserve cash meant we had a higher level of promotional activity than we had planned. This was amplified by the dilutive effect of an increased mix of Ecommerce sales during periods of store closures and beyond. We are fully committed to returning to a full-price proposition as the economy recovers, which will drive a recovery in the gross margin, whilst also strengthening brand perception and protecting the integrity of our foundation product.

We took the opportunity to sharpen our strategy this year, despite the challenges posed by the pandemic. Our mission is to inspire and engage style obsessed consumers, while leaving a positive environmental legacy. This clarity has allowed the entire business, led by our strengthened Executive team and Board, to prioritise our efforts to achieve our four strategic objectives. These are:

→ Inspire through PRODUCT & STYLE

→ Engage through SOCIAL

→ Lead through SUSTAINABILITY

→ All underpinned by the operational foundations to ‘MAKE IT HAPPEN’

Inspire through Product & Style

Last year we introduced consumer segmentation by style preference, life stage, mindset, and gender. As we continue to iterate our design and marketing approaches against this framework, it has become clear that we have a huge opportunity with 13–15-year-old consumers, and so have extended our segmentation to capture this market.

We launched our Autumn/Winter20 (‘AW20’) and Spring/Summer21 (‘SS21’) ranges this year with full alignment to our new design philosophy, and so far, the product is resonating well with customers. Against the backdrop of the pandemic, we were unable to deliver a truly branded customer experience through our stores, and we look forward to Autumn/Winter21 (‘AW21’) being the first opportunity to showcase this across all our channels. Following some promising early pilot results, where we saw comparatively stronger trading in re-merchandised locations, we will continue to roll out this approach in our stores to bring this product segmentation to life.

This segmentation of our product offers new Wholesale opportunities by targeting customers with specific and relevant collections and we plan to develop new relationships, and strengthen existing ones, over the coming year. We were encouraged with the 29% increase for in-season orders for SS21 and AW20, giving us confidence that the new product is resonating with our partners and their consumers, even against the backdrop of this challenging trading environment.

The next step in our product journey is the implementation of short-order (limited volume runs of product) which will be available online and in our flagship stores. This will allow us to react much more quickly to consumer demands and trends, with a reduced lead time of down to 12 weeks in some cases.

Engage through Social

Engaging our consumers through social media remains the core focus of our marketing activity. In FY21 we substantially increased the number of influencers we used, working with more than 250, allowing us to target our campaigns and activity to the relevant consumer segments, focusing particularly on younger consumers.

Signing Neymar Jr. to front our organic cotton underwear and sleepwear campaign, showcasing both the brand and sustainable product to his 156m followers, was one of our key marketing highlights this year and this collaboration is a statement of our intent for the future. We have already seen a positive impact from this, with engagement rates for the first SS21 campaign achieving record levels, and driving new followers to our own social accounts.

We recognise the importance of digital marketing to generate brand awareness and acknowledge that historically we have underspent in comparison to our peer group. We are accelerating our journey to achieve best-in-class social media engagement and used this year to make important first steps. It has been encouraging to see our total followers increase by 6% year-on-year to 3.3m.

As well as driving awareness and consideration among our target consumers, this digital transformation impacts the entire customer journey, and this prioritisation of our direct to consumer Ecommerce channel will be the driver behind our revenue and profitability recovery.

Lead through Sustainability

Sustainability is embedded in the culture of Superdry. We recognise the increasing importance of reducing our environmental impact to all our stakeholders including customers, suppliers, and government organisations. Our ambition is to become the most sustainable listed global fashion brand by 2030, and we have been prioritising sustainability in every part of the business as we pursue that goal.

This year we won the Drapers Sustainable Fashion Awards 2021 “Positive Change Award”, in recognition of initiatives such as new packaging that has a 60% lower carbon footprint, and targets for net zero carbon emissions across our own sites and logistics by 2030. We were also ranked 1st in the Financial Times as “Europe’s Climate Leaders 2021” for having delivered a 97% reduction in our direct greenhouse gas emissions between 2014 and 2019; an incredible achievement given the competition.

We have improved our Carbon Disclosure Project rating from C to B and have a clear path on how we are going to get to A. We continue to move away from single-use plastic packaging and in FY21, 93% of our packaging was recyclable.

Our broader sustainability initiatives include accelerated organic cotton targets where all our pure cotton garments will be produced entirely from organic cotton by 2025, working closely with 20,000 growers in India to convert their farms to organic farming, adding the equivalent volume of organic cotton to the market that we need as a brand. In recognition of these commitments, I was thrilled to be awarded the Best Organic Cotton Ambassador by The Soil Association in July, the UK's only organic awards.

In FY21 33% of all our garments contained organic, recycled, and low impact fibres including tencel, hemp, yak or linen, and generated around 35% of our AW20 and SS21 revenue.

Make it Happen

The foundation of our business starts with our people. This year the Executive Team has been strengthened with several key hires, including Silvana Bonello (COO), Shaun Wills (CFO) and Justin Lodge (CMO). We also have a new Chair, Peter Sjölander, who has a hugely relevant and successful history with Helly Hanson, as well as experience overseeing growth and technology implementations.

We recognise the need to continuously update our core systems and processes to maximise efficiency, improve customer experience and ensure the business is set for future growth. The significant investment in our technology infrastructure will be carried out over a number of years, starting with the migration of our legacy Ecommerce platform over to microservices technology. This will provide us with much needed agility, better functionality to improve our promotional mechanics and to future-proof us against wider technology developments. We have chosen to build the platform internally, allowing us to control the roadmap and tailor the platform to our needs. We expect this to be ready to launch in early 2022.

We have made great technological progress in our logistics operation, and the team has received awards for the use of advanced robotics which have tripled our efficiency rates for processing Ecommerce returns. These include a CILT Award for Excellence 2020 for our Warehouse Operations, The Technology Transformation Award from The Logistics Awards and a Supply Chain Excellence Award 2020. We will continue to innovate in this area, rolling out automation across our global network of fulfilment centres.

Despite the enforced stores closures, we have reduced our total inventory by 2.3m units (14%), due to a disciplined inventory buy and optimised use of clearance channels. This more efficient stock management strategy will allow us to reduce our inventory further in FY22, even with the expectation of continued headwinds as the world recovers from the impacts of the pandemic.

The inventory reduction was a key driver in our net cash balance ending the year up £2.2m at £38.9m and I am particularly pleased that we did not have to use our Asset Backed Lending ('ABL') facility, maintaining a net cash balance in excess of £20m throughout the period.

Rent negotiations have been another priority for the business this year as part of our plan to return stores to profitability. During H2 we have continued to negotiate rent relief from landlords relating to the extended periods of enforced closures. As at the year end, we recognised £7.7m of one-off rent savings and are anticipating in excess of £10m in FY22. These non-recurring credits are in addition to the underlying annualised cash lease renewal savings of £5.3m agreed in FY21 from the 39 stores renegotiated in the period. We will continue to negotiate reductions and are not afraid to walk away if we are unable to get the right deal, and we exited 15 stores during FY21 where the landlord was unwilling to regear the lease to acceptable terms.

We remain committed to the high street. Post year-end we announced our exit from Regent Street and our move to open our new global flagship store on London's Oxford Street. The new store will bring the brand reset to life, showcasing the five collections over 22,000 sq ft of sales space across two floors. The store will have sustainability embedded through our product, the customer experience and the building itself. The lower ground floor will house Wholesale showrooms and versatile space to be used as a base for the brand ambassador, influencer, and affiliate programmes.

During the pandemic, we have continued to make use of available furlough, or similar, support across all territories, to retain as many of our colleagues as possible. The support we have received is outlined as part of our Covid-19 review. For as long as there is uncertainty and volatility due to the pandemic, continued support will be needed from the government to all retailers in the sector, and we continue to strongly encourage a fundamental review of the current business rates system in the UK.

Looking forward

We continue to make progress in turning around and evolving the brand, despite the significant challenges we have faced as a result of the Covid-19 pandemic. I am impressed by the dedication of our team throughout this period and would like to thank everyone for their unwavering hard work and enthusiasm.

Our newly articulated strategy means our people are fully aligned with our objectives, focusing on product, social and sustainability, underpinned by our ongoing digital transformation. While the economic backdrop remains uncertain, it is clear to me that there is a lot to look forward to.

1. '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.
2. Cash annualised saving has been calculated based on the effective date of the lease agreement.

CFO Review

Group revenue decreased by 21%, largely driven by the forced closure of our store estate as a result of Covid-19. Despite the significant number of store days lost this year, the adjusted loss before tax reduced by 70%, with cost saving measures and government support helping to offset trading shortfalls. Whilst significant uncertainty remains, we expect a recovery in FY22.

		2021 £m	2020* £m	Change %
Revenue:	Stores	140.5	287.2	(51.1)%
	Ecommerce	201.8	151.6	33.1%
	Wholesale	213.8	265.6	(19.5)%
Group revenue		556.1	704.4	(21.1)%
Gross profit:	Stores	93.6	192.5	(51.4)%
	Ecommerce	117.5	90.5	29.8%
	Wholesale	82.0	94.9	(13.6)%
Group profit		293.1	377.9	(22.4)%
Gross profit margin %		52.7%	53.6%	(0.9)%pts
Selling and distribution costs		(258.7)	(342.0)	(24.4)%
Central costs		(62.9)	(70.1)	(10.3)%
Impairment credit/(losses) on trade receivables		3.8	(9.2)	(141.3)%
Adjusted other gains and losses**		19.3	9.1	112.1%
Adjusted operating loss**		(5.4)	(34.3)	(84.3)%
*Adjusted operating margin***		(1.0)%	(4.9)%	(3.9)%pts
Net finance (expense)		(7.2)	(7.5)	(4.0)%
Adjusted loss before tax**		(12.6)	(41.8)	(69.9)%
Adjusting items:				
	Unrealised (loss)/gain on financial derivatives	(4.7)	1.9	(347.4)%
	IFRS2 charge – Founder Share Plan	(0.5)	(0.3)	66.7%
	Restructuring, strategic change and other costs	(1.0)	(1.9)	(47.4)%
	Intangibles asset impairment	(2.1)	-	100.0%
	Store asset impairment charges and reversals and onerous property related contracts provision	(15.8)	(124.8)	87.3%
Total adjusting items		(24.1)	(125.1)	(80.7)%
Loss before tax		(36.7)	(166.9)	(78.0)%
Tax (expense)/credit		0.6	23.5	(97.4)%
Loss for the period		(36.1)	(143.4)	(74.8)%

* Fulfil From Store ('FFS') sales reallocated to Ecommerce in the current year (£8.3m) and prior year (£1.6m) comparatives. The gross margin impact is £5.2m in the current year and £1.0m in the prior year comparatives. FFS relates to sales made online, but fulfilled from store stock.

** Adjusted operating loss, adjusted margin and adjusted loss before tax are defined as reported results before adjusting items as further explained in Note 22. The comparative in the prior year was referred to as 'Exceptional'.

Group revenue decreased by £148.3m to £556.1m. This 21.1% reduction was driven largely by the forced closure of a significant part of our store estate as a result of Covid-19 related national or regional lockdowns and the corresponding impact on our Wholesale partners.

Under IFRS 8 'Operating Segments', Superdry has historically reported the performance of Stores and Ecommerce under one segment entitled 'Retail' (FY21 £342.3m; FY20 £438.8m). However, due to a significant shift in consumer behaviour and a material increase in the Ecommerce sales mix during the pandemic, the Group has chosen to focus on these channels separately in the management of the business with distinct reporting and decision making. The Board has therefore taken the decision to report across three segments for revenues and gross profit from FY21 onwards – Stores, Ecommerce and Wholesale.

The prior year comparatives have been restated to provide the same level of information for those three segments. The term Retail will continue to be used to group together the Ecommerce and Stores segments for multi-channel reporting.

Stores

Store revenue declined 51.1% to £140.5m in FY21. The significant impact of the enforced store closures was felt throughout the year, with an average of 39%[1] of store trading days lost in FY21 (FY20: 10%).

Lost store days %[1]	Q1	Q2	Q3	Q4	FY
FY20	-%	-%	-%	42%	10%
FY21	43%	4%	43%	69%	39%

YoY	43%	4%	43%	27%	29%

Even when the stores were able to trade, the high street experienced substantially reduced footfall from social distancing measures. There was no material change to the permanent store footprint in FY21 with only 10 net stores closures (FY20: 7 net closures), bringing the total owned estate to 231 stores at the year end (FY20: 241). Post year-end we announced the exit from our Regent Street store and our forthcoming move to a prime high-footfall location on Oxford Street, due to open in late 2021.

Though it currently appears unlikely we will see further widespread lockdowns in our major trading markets, we do anticipate ongoing suppressed footfall to continue throughout FY22.

Store revenue by territory**	2021 £m	2020* £m	Change
UK and Republic of Ireland	57.4	143.2	(59.9)%
Europe	64.6	107.4	(39.9)%
Rest of World	18.5	36.6	(49.5)%
Total Store revenue	140.5	287.2	(51.1)%

*Fulfil From Store ('FFS') sales reallocated to Ecommerce in the current year (£8.3m) and prior year (£1.6m) comparatives. FFS relates to sales made online but fulfilled from store stock.

**Please note for all channels the geographic territories have been aligned to the internal management operational structure.

Ecommerce

Ecommerce performance, which is a combination of sales made through our owned websites and those made online through third parties, was strong throughout the year, up 33.1% year-on-year. This partially offset lost Store sales, benefitting from Covid-driven changing shopping habits, improved product and increased digital marketing, as well as our influencer led strategy.

Ecommerce participation as a percentage of total Retail revenue (defined as the total of Store and Ecommerce revenue) increased from 34.5% to 59.0% which in turn drove Ecommerce revenue as a participation of total Group revenue from 21.5% to 36.3%.

Retail revenue	2021 £m	2020* £m	Change
Stores	140.5	287.2	(51.1)%
Ecommerce	201.8	151.6	33.1%
Total Retail revenue	342.3	438.8	(22.0)%
Ecommerce revenue as a proportion of Retail revenue	59.0%	34.5%	24.5%pts
Ecommerce revenue as a proportion of Group revenue	36.3%	21.5%	14.8%pts

* Fulfil From Store ('FFS') sales reallocated to Ecommerce in the current year (£8.3m) and prior year (£1.6m) comparatives. FFS relates to sales made online but fulfilled from store stock.

At the end of the year, Superdry had 21 branded websites, translated into 13 languages (FY20: 18; 13).

Ecommerce revenue by territory**	2021 £m	2020* £m	Change
UK and Republic of Ireland	109.1	69.5	57.0%
Europe	78.0	68.7	13.5%
Rest of World	14.7	13.4	9.7%
Total Ecommerce revenue	201.8	151.6	33.1%

* In the prior year all eBay sales were allocated between UK and RoW. In FY21 eBay has been allocated to the relevant territory for clarity. To ensure consistent comparatives, this methodology has been applied retrospectively to FY20.

** Please note for all channels the geographic territories have been aligned to the internal management operational structure.

Wholesale

Wholesale sales to third parties, which includes online platforms where the partner fulfils the order, faced similar pandemic-related market shifts as our owned channels. This led to sales ending the year down 19.5% at £213.8m and higher levels of stock carried forward.

At the end of the year, the Group had Wholesale operations in 53 countries (FY20: 61) including 448 franchise stores (FY20: 473) and 27 Superdry branded license stores (FY20: 26).

Wholesale revenue by territory**	2021 £m	2020* £m	Change
UK and Republic of Ireland	31.0	41.8	(25.8)%
Europe	140.9	170.6	(17.4)%
Rest of World	41.9	53.2	(21.2)%
Total Wholesale revenue	213.8	265.6	(19.5)%

* In the prior year Russia and Ukraine were included within Europe. In FY21 these territories have been reallocated to Rest of World in line with the internal management structure. To ensure consistent comparatives, this methodology has been applied retrospectively to FY20.

** Please note for all channels the geographic territories have been aligned to the internal management operational structure.

Gross margin

The gross margin has reduced by 90bps to 52.7%, partly driven by the mix effect of sustained stores closures (our highest gross margin channel) which contributed (1.4)%pts and elevated levels of discounting whilst the business focused on cash generation during the pandemic. These elements were partially offset by an improvement in the Wholesale gross margin.

Encouragingly, there was positive momentum in Q4 21 as we began to return the business to a full price trading stance, with particular success online where the full price mix[2] increased by 11%pts to 46%.

Gross margin by channel	2021	YoY Sales mix change	2020*	Change
Stores	66.6%	(16%)pts	67.0%	(0.4)%pts
Ecommerce	58.2%	15%pts	59.7%	(1.5)%pts
Wholesale	38.4%	1%pts	35.7%	2.7%pts
Total gross margin	52.7%		53.6%	(0.9)%pts

* Fulfil From Store sales have been reallocated to Ecommerce, with an impact on margin of £5.2m in the current year and £1.0m in the prior year comparatives.

Total operating costs

	2021	2020	Change
Selling and distribution costs	(258.7)	(342.0)	(24.4)%
Central costs	(62.9)	(70.1)	(10.3)%
Impairment credit/(losses) on trade receivables	3.8	(9.2)	(141.3)%
Other gains and losses	19.3	9.1	112.1%
Total operating costs pre-adjusting items	(298.5)	(412.2)	(27.6)%

Total operating costs, pre-adjusting items, reduced by £113.7m to £298.5m (FY20: £412.2m) and includes store, distribution, marketing, head office, central and depreciation costs, impairment credit/(losses) on trade receivables and other gains and losses. The decrease was partially caused by the disruption from Covid-19 in FY21, predominantly related to the temporary closure of stores, together with other continued cost actions taken to improve efficiencies as we preserved cash through the pandemic. There are some material movements in lease costs which are addressed more fully below.

Store costs reduced substantially by £47.9m, as a result of both one-off benefits and the impact of operational efficiencies. In FY21 we received £7.9m of furlough support for store employees and a further £2.5m of government grants, as well as a £15.7m benefit from UK rates relief. We have made good progress on recurring cost reductions in order to drive cost efficiencies, with payroll reducing £11.5m year-on-year, as we optimised our store staffing.

Distribution, marketing and head office costs decreased by £21.8m. The main driver was the reduction in the Wholesale bad debt charge, as a result of cash collections throughout FY21 being better than initially expected at the FY20 year-end. This was partially offset by volume-driven Ecommerce distribution costs, and a planned investment in both brand and performance marketing in line with the brand reset.

Depreciation and amortisation totalled £53.4m (FY20: £87.2m). The year-on-year reduction of £33.8m was predominately due to the impact of the prior year impairment of store-related assets.

Adjusted other gains and losses (which include royalty income and other income, largely related to lease renegotiations under IFRS 16) were £19.3m (FY20: £9.1m), an increase of 112.1%. Although there was a reduction in royalty income following the decrease in Wholesale revenue, this has been more than offset by £14.3m of accounting gains on termination of leases, lease breaks or lease modifications under IFRS 16.

Adjusted other gains and losses	2021	2020	Change
Royalty income	4.2	7.2	(41.7)%
IFRS 16 lease modification and renegotiations	14.3	-	100.0%
Other income	0.8	1.9	(57.9)%
Total adjusted other gains and losses	19.3	9.1	112.1%

Central costs (£62.9m) includes head office costs and related depreciation which are not attributable to any of the trading channels, and have decreased by £7.2m as a consequence of cost control activities including a reduction in professional fees and discretionary spend.

Lease renewals

The majority 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 of the scope of the standard. In FY21, only £5.6m (FY20: £8.9m) is recognised within Store costs for the gross rental charge on these leases.

In the current year we recognised a £7.7m credit in Store costs within the Group Profit and Loss for one-off rent savings in relation to 82 leases:

Lease category	No. of leases	One-off saving £m
Leases under IFRS 16	62	4.0
Leases not recognised under IFRS 16	15	1.9
No lease payment due to Covid-related closures (not IFRS 16)	5	1.8
Total	82	7.7

We expect to continue this work and deliver similar results in FY22, anticipating in excess of £10m further one-off rent savings.

In addition to these one-off savings, we renewed 39 store leases (FY20: 17) for an average lease commitment of three years (FY20: three years). Primarily as a result of those renewals, the annualised cash rental payments have reduced by a total of £5.3m[3] (FY20: £1.8m).

For leases which are recognised under IFRS 16, the benefit of the 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 the other gains and losses on modification (£14.3m in FY21).

Finance Costs

Net finance costs were roughly in line with the prior year at £7.2m (FY20: £7.5m). £5.5m (FY20: £5.7m) relates to interest expense on leases under IFRS 16.

Adjusting items

£m	2021	2020	Change
Adjusted loss before tax	(12.6)	(41.8)	(69.9)%
Unrealised (loss)/gain on financial derivatives	(4.7)	1.9	(347.4)%
IFRS2 charge – Founder Share Plan	(0.5)	(0.3)	66.7%
Restructuring, strategic change and other costs	(1.0)	(1.9)	(47.4)%
Intangibles asset impairment	(2.1)	-	100.0%
Store asset impairment charges and reversals and onerous property related contracts provision	(15.8)	(124.8)	(87.3)%
Total adjusting items	(24.1)	(125.1)	(80.7)%
Statutory loss before tax	(36.7)	(166.9)	(78.0)%

Adjusting items relate primarily to store asset net impairment charges (£10.7m) and an onerous property related contracts provision (£5.1m), totalling £15.8m (FY20: £124.8m). The net impairment charge of £10.7m (FY20: £136.8m) has been allocated between right-of-use assets (£7.4m, FY20: £121.2m), property, plant and equipment (£3.3m, FY20: £15.5m) and intangibles (£nil, FY20: £0.1m), largely due to the extended period of forced store closures from Covid-19 restrictions and the consequent impact on expected future footfall.

Other significant adjusting items include a £4.7m loss in respect of the fair value movement in financial derivatives (FY20: £1.9m gain) which has been driven by changes to the timing of derivatives used to hedge Euro receivables and US Dollar payables and by rate movements during the hedging period.

Further details on adjusting items can be found in note 7.

Loss before tax

Despite the significant number of store days lost this year, the adjusted loss before tax reduced by 69.9% to £(12.6)m, with cost saving measures and government support helping to offset trading shortfalls. FY21 includes a £33.8m year-on-year benefit from reduced depreciation and amortisation, primarily due to the FY20 impairment charge, and a £14.3m non-cash credit from lease modifications.

In addition to the above, the statutory loss before tax, after charging net adjusting items of £(24.1)m (FY20: £125.1m), reduced by 78.0% to £(36.7)m.

Taxation in the period

Our tax credit on adjusted losses is £3.3m (FY20: £6.1m tax credit on adjusted profit). This represents an adjusted effective tax rate of (26.2)% (FY20: 14.6%).

Our tax charge on statutory losses is £0.6m (FY20: £23.5m tax credit on statutory loss). This represents an effective tax rate of 1.6% (FY20: 14.1%).

The Group's adjusted effective tax rate is lower than the statutory rate of 19% (FY20: 19%). This is primarily due to 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 credit on adjusting items totals £3.9m (FY20: £17.3m tax credit), which arises primarily as a result of impairments to the right-of-use asset values, and impairments to property, plant and equipment (PPE), at the balance sheet date.

Loss after tax

After adjusting items, Group statutory loss after tax for the year was £36.1m, compared to a £143.4m loss in FY20.

Loss per share

Reflecting the loss achieved by the Group during the year, adjusted basic EPS is (19.4)p (FY20: EPS (43.5)p).

The adjusted performance of the business, offset by the adjusting items outlined above, results in a reported basic EPS of (44.0)p (FY20: EPS (174.9)p) based on a basic weighted average of 82,028,188 shares (FY20: 82,001,955 shares). The increase in the basic weighted average number of shares is predominantly due to 31,032 5p ordinary shares being issued during the year under Buy As You Earn schemes.

Adjusted diluted EPS is (19.4)p (FY20: EPS (43.3)p) and diluted EPS is (44.0)p (FY20: EPS (174.1)p. These are based on a diluted weighted average of 82,028,188 shares (FY20: 82,389,450 shares). Due to the loss-making position of the Group at the year-end, all potential ordinary shares are considered to be antidilutive.

Dividends

Given the ongoing uncertainty 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 FY21.

Cash flow

There has been a continued focus on cash preservation this year and the Group has maintained strong liquidity, ending the year with net cash of £38.9m, up £2.2m year-on-year and having not drawn down during the year on the ABL facility at any point.

£m	2021 £m	2020 £m
Operating cash flow before movements in working capital	29.7	75.5
Working capital movement	20.4	12.0
Taxes	2.5	(2.2)
Net cash generated from operations	52.6	85.3
Purchase of PPE and intangible assets	(13.6)	(13.9)
Proceeds from disposal of assets held for sale	-	2.4
Dividend payments	-	(3.4)
Net interest paid	(7.2)	(7.5)
Proceeds of issued share capital	0.1	-
Drawdown of RCF	-	(30.0)
Repayment of RCF	-	30.0
Repayment of lease liability principal	(39.9)	(61.1)
Net (decrease)/increase in cash	(8.0)	1.8
Other (including foreign currency movement)	10.2	(1.0)
Net cash and cash equivalents at end of period	38.9	36.7

Superdry remains a strongly cash-generative business, with net cash generated from operations of £52.6m (FY20: £85.3m). This has decreased year-on-year due to significant impact from the forced store closures during the year as a result of the ongoing disruption from Covid-19.

Movements in working capital generated a cash inflow of £20.4m (FY20: £12.0m) driven by a decrease in inventories of £6.2m, a net increase in trade and other receivables of £10.8m and an increase in trade and other payables of £25.0m, largely due to deferred rent arising from Covid-19 related store closures. We expect to repay the majority of the deferred rent through FY22, though anticipate that a proportion will crystallise as a permanent benefit as a result of ongoing lease negotiations.

Working capital

£m	2021 £m	2020 £m	Change
Inventories	148.3	158.7	(6.6)%
Trade and other receivables	102.3	91.6	11.7%
Trade and other payables	(126.5)	(103.3)	22.5%
Net working capital	124.1	147.0	(15.6)%

Inventory levels decreased by 2.3m units, 14% in FY21, despite lower sales and enforced store closures. The average cost per unit increased due to a higher mix of Autumn/Winter product in the stock at year end (39% vs 35%), resulting in an overall decrease in the inventory balance of 6.6% to £148.3m. We would expect this mix to normalise as the operational disruption from Covid reduces.

The inventory balance is net of a provision of £9.1m (FY20: £9.8m). This is after a £(3.8)m release of a £6.1m Covid-related provision booked in FY20 against SS20 product following better than expected recovery. This release was broadly offset by a one-off £4.1m provision in relation to high-end AW20 concept product, which has proven to be unsuccessful particularly considering the launch in a Covid-19 environment (FY20: £nil).

Total trade and other receivables increased 11.7% to £102.3m because of the disruptive impact on both shipments and sales to Wholesale partners in the prior year. Although cash collections have been ahead of internal expectations, the partner support programmes have led

to a temporary increase in debtor days from 47.5 days to 67.3 days. However, there has been a reduction in the level of expected credit loss which is reflective of the quality in the current debtor book.

Total trade and other payables increased by 22.5% to £126.5m largely due to deferred rent for non-IFRS 16 leases of £11m included within the balance and the later timing of inventory shipments towards the end of FY21. The deferred rent for IFRS 16 leases of £24m is included within lease liabilities.

Net working capital decreased by 15.6% to £124.1m (FY20: £147.0m) and as a proportion of Group revenue was 22.3% (FY20: 20.9%).

Capital expenditure

Additions in property, plant and equipment and intangible assets totalled £13.8m (FY20: £13.7m). Capital expenditure has remained suppressed as a result of short-term cash preservation initiatives during Covid-19. Spend has been and will continue to be focused on IT systems and technology as we support Ecommerce as our channel of growth.

At 24 April 2021, the net book value of property, plant and equipment had decreased to £29.4m (FY20: £41.7m) as a consequence of the store impairment and depreciation charges. During the year, £6.8m (FY20: £6.5m) of capital additions were made, of which £2.3m (FY20: £1.6m) related to leasehold improvements across the Group. The remaining balance of capital additions includes furniture, fixtures, and fittings (£3.5m) and computer equipment (£1.0m).

Intangible assets, comprising goodwill, lease premiums, distribution agreements, trademarks, website, and computer software, stood at £41.7m at the year end (FY20: £48.4m). Additions in the year were £7.0m (FY20: £7.2m), comprising mainly website and software additions.

Internal controls

In the prior year, a number of accounting and control issues were identified in the business. In response to this a review of the internal control environment was carried out by the Audit Committee. External advisors (PwC) were engaged to support the development of an improved internal controls framework, which included mapping key risks to business processes and developing controls to mitigate these risks. Priority was placed on delivering material improvements for the FY21 year-end close, including remediating balance sheet controls around inventory, accounts payable, cash, and the month end close and review processes.

Although there has been improvement leading up to the end of FY21, work remains and will continue through FY22. The process of establishing a fully robust control environment remains one of our top priorities and we are confident in the progress being made.

Outlook

Whilst significant market uncertainty remains, we do expect a recovery in total revenue in FY22, driven by:

- Improving store trading from gradually improving footfall throughout the year, although not reaching historic levels;
- Strong 2-year Ecommerce growth compared to FY20, but supressed year-on-year as we anniversary tough promotion-driven comparatives and some trade switches back into physical stores; and
- A modest, but sustainable revenue recovery in Wholesale

We expect margin to increase across all channels as we transition towards a full price stance, supported by further mix benefits from the switch back into stores.

We expect to generate operating leverage from reduced store rents and payroll compared to pre-Covid levels, although we anticipate a £35-45m year-on-year increase in costs due to one-off benefits recognised in FY21, such as the return of UK business rates, the end of furlough support, and the normalisation of other variable and discretionary costs.

We are continuing to focus on cash generation and working capital efficiency in FY22. We expect to reduce inventory by a further 2m units, which will partially offset the unwind of deferred rent and service charges (£40m, inclusive of VAT), some of which we expect to crystallise as permanent savings as we continue to negotiate lease terms.

Recognising the structural growth opportunity in Ecommerce, as well as the geographic and customer segmental targeting opportunities in our Wholesale business, we expect revenue to exceed peak historic levels in the medium term. Disciplined full price trading, continuing rent renegotiations, and the operating leverage from cost savings will also return the business to historic operating profit margins.

Assessment of Group's prospects

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

Background – Impact of continuing lockdowns and social distancing restrictions in FY21

The lasting impact of the pandemic saw unprecedented levels of disruption throughout FY21. Following the 'initial wave' of lockdowns, beginning March 2020 and impacting much the first quarter of FY21, infection rates in our key markets substantially reduced by late September 2020 and, with the majority of our owned store estate reopening, the prevailing view at that time was that further widespread lockdowns appeared unlikely.

However, the announcement of a second wave of lockdowns resulted in temporary store closures in the UK and certain EU markets from late October 2020, albeit with a brief opening period before a further hard lockdown from January through to April 2021. Together with the wider factors affecting open stores, such as social distancing measures and broader economic and health concerns, the Group saw a continued suppression of footfall in stores which was only partially offset by Ecommerce sales.

In total, the business lost an unprecedented 39% of store trading days in FY21 (FY20: 10%); a conservative measure which does not reflect other impacts such as shortened trading hours, appointment-only openings, and general operational disruptions from the ever-changing

government regulations. By the end of June 2021, most of our owned stores had reopened although footfall remains subdued as the economic recovery continues.

Though there is no certainty that there will not be further lockdowns, vaccine rollouts are progressing well in many of our core markets, and government communications reflect an increasing pressure to re-open economies.

There are several key mitigations that the Group has undertaken to partially offset the adverse revenue impacts of these lockdowns:

- As a consequence of the protracted lockdown periods in FY21, we recognised £7.7m of one-off rent savings relating to the disrupted periods, with at least a further £10m expected to be realised in FY22. These one-off rent benefits are in addition to the ongoing lease renewal savings that have been achieved to date, which we expect will continue to be realised as we review our store estate.
- In many markets, governments have extended furlough support where store closures have been mandated. Superdry has received £9.2m of furlough support in FY21, predominantly relating to store colleagues. We have also claimed £2.5m in government grants for business disruption support.
- A reduction in future stock purchases, aided by the carry over and recoding of core product, remains our largest cash mitigation. In addition to the volume of intake, we will continue to work closely with our suppliers to manage payment terms, particularly through our cash trough ahead of the Autumn / Winter season.

Liquidity headroom

On 10 August 2020 the Group announced that it had completed a refinancing of its facilities, moving from a Revolving Credit Facility ('RCF') of £70m, due to expire in January 2022, to a new Asset Backed Lending ('ABL') facility for up to £70m, due to expire in January 2023, with amended covenants (detailed in the Covenant testing section below) and the option to extend, at the discretion of the lender, for a further 12 months.

The Group's ability to preserve and manage cash has been clearly evidenced (and detailed in the Mitigating Actions section, below), with the business maintaining a positive net cash balance in excess of £20m throughout FY21, despite the pressures of the pandemic.

In addition, the Group has an overdraft facility of up to £10m available on a rolling annual basis, albeit as this is not committed, it has not been considered by management as part of the going concern or viability assessment.

Base case:

The Group's going concern assessment has been based on a 12-month financial plan (the 'Plan') derived from the latest FY22 and FY23 forecasts. Though the effects of Covid-19 on consumer behaviour long term are yet to be fully understood, the trading outlook for the Group has improved relative to the prior year, which is reflected in the Plan.

In determining the Plan, management has made a number of assumptions regarding the Group's trading performance in light of the coronavirus pandemic. The most significant of those 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 ongoing store closures in FY21.
- Stores trade for substantially all of FY22 following the reopening of those European markets which remained closed at the start of the financial year. Trading is assumed to recover steadily over the duration of FY22 as stores reopen and consumer demand returns, reflecting the macroeconomic uncertainties in FY22 and the ongoing channel shift towards online. Profitability will be delivered through full price trading margins, the recurring benefits of renegotiated leases and store payroll optimisation in FY21, but with store revenues remaining below pre-Covid levels in FY22.
- UK property rates are conservatively assumed to return from April 2022 (£16m annualised cost), following the end of the current rates relief measures announced by the government.
- Ecommerce trading benefits from the underlying and recently accelerated channel shift towards digital from physical retailing, together with planned investments to improve the website user experience. However, the plan reflects a tougher comparable period in 2021 and an element of targeted promotional activity to clear excess stock and generate cash, with modest growth forecast in the balance of FY22.
- Wholesale performance begins to recover in FY22, reflecting the latest forward order book and the continuation of FY21 trends such as increased in-season orders to online partners, recovering to pre-Covid-19 levels over the medium term.
- Gross margin rate recovers as we reduce the level of promotional activity from FY21 and return to a full price stance in FY22. Channel mix benefits will be realised as stores (our highest margin channel) trade for the duration of the year.
- Increased marketing spend in FY22 to reflect increased performance marketing in the short term together with longer-term brand investment as part of the turnaround.
- As a consequence of the impact of Covid-19 on global trade, the Group and the Company are aware of constraints to the global supply of containers for shipping goods from Asia to Europe and, while the Group remains confident that the majority of goods will be shipped, it is expected that the cost of these shipments will increase in FY22.

Reverse stress test

Given the base case reflects both the results of the turnaround plan, and the uncertainties surrounding forecasts due to Covid-19, the Group has modelled a 'reverse stress test' scenario.

A reverse stress test calculates the shortfall to forecast sales in the Plan that the Group would be able to absorb, after implementing feasible mitigating actions, before either:

a. requiring additional sources of financing, in excess of those that are committed; or

b. breaching the lending covenants on our committed facility.

Given the projected headroom over our covenants, and our proven ability to manage cash, management considers the likelihood of breaching our facilities 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.

Mitigating actions

If performance deviates materially from the Base Case Plan, the impact could result in a reduction in liquidity and/or a longer period of lower profitability, which in turn could risk covenant breaches. Management has considered what plausible mitigating actions are available to them, including:

- a reduction in uncommitted capital expenditure;
- a reduction in Head Office costs and discretionary spend; and
- reducing the purchase quantities of new season stock in line with the lower sales projections.

Consequently, management believes that the likelihood of further downsides in revenue, beyond those modelled in the reverse stress test, that cannot be mitigated adequately, to be remote. However, should the mitigating actions outlined above not be sufficient, management would likely adapt the current store portfolio strategy to exit a greater proportion of stores.

Covenant testing

Our facilities include an Asset Backed Lending ('ABL') Facility for up to £70m, together with a £10m uncommitted overdraft.

Our relationship with our lending group remains strong, with covenant resets agreed in both January and July 2021 as the macroeconomic impact of social distancing and lockdown restrictions continued to extend past initial expectations when the financing was agreed in August 2020.

The amended covenants in the ABL facility are tested quarterly and are based around the Group's adjusted EBITDAR (relative to the Base Case Plan) until the end of Q2 22 and fixed charge (rent and interest) cover thereafter. The covenants are tested on a 'frozen GAAP' basis and hence accounting under IFRS 16 does not impact them.

Under the reverse stress test, which tests for the breakeven point against our borrowing facilities (liquidity and covenants are tested separately), the July 2022 (Q2 23) covenant test would breach first. However, management considers the likelihood of experiencing revenue shortfall required to cause this breach to be remote. The Directors are confident that under the mitigated reverse stress test there is sufficient liquidity headroom over the going concern period.

If this scenario was to occur, management would approach lenders for a covenant waiver. Whilst there would be no guarantee that such a waiver would be made available, in making their assessment management notes that it currently has a good relationship with the Group's lenders and has held positive discussions throughout the year. These lenders have been made aware of all key inputs into the Base Case Plan, as well as the implications of the short-term disruption, and have now agreed to re-gear the covenants on two occasions, to reflect the unforeseen duration and magnitude of the impact from Covid-19. In addition, it should be noted that the Group expects to be cash positive for most of the year, allowing for the normal seasonal working capital cycle, with substantial liquidity maintained throughout the going concern period.

Significant judgements

In using these financial forecasts for the going concern assessment, the Group's Directors recognise that significant judgement was required to decide what assumptions to make regarding the impact of the coronavirus pandemic on the retail sector and wider economy and specifically to Superdry, and the ability to execute the turnaround plans required to recover brand health and return the business to profitable growth. Consequently, though the level of visibility has improved year on year, there remains more uncertainty than would usually be the case in making the key judgements and assumptions that underpin the financial forecasts for the business. The Directors believe that this uncertainty is reflected in the Base Case Plan, and trading year to date continues to give us confidence that we are through the worst effects of the pandemic.

The Plan does not anticipate a further, extended period of store closures, and the likelihood of this scenario is deemed remote. While it is conceivable that there is a further territory-wide lockdown, key factors in making this judgement include:

- vaccine rollouts are progressing well in many of our core markets;
- social distancing restrictions have been relaxed far more significantly than in between previous lockdowns, with broader cultural acceptance of the need for hygiene measures (e.g. mask-wearing and hand sanitising);
- government communications reflect an increasing pressure to re-open economies, with furlough support coming to an end on 30 September 2021 in the UK.

In the event that this were to happen, it could cause revenue declines to exceed those in the reverse stress test, however, this would likely result in corresponding government support (e.g. in the form of furlough and rent moratorium) being available to mitigate the worst effects, together with implementing similar cash preservation measures as were deployed in FY21.

Summary

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

Viability

In line with the UK Corporate Governance Code, the Directors have assessed the prospects of the Group over a longer period than that required by the 'going concern' provision. The Directors have assessed the viability of the Group over the five-year period through to FY26 using the medium-term financial plan (the 'Medium Term Plan'). This Medium Term Plan is in its early stages of implementation (having been delayed due to the Covid-19 pandemic). It assumes the successful execution of the turnaround strategy to reset the brand, reversing the decline in performance which began in FY19 and return the Group to FY18 revenues and profitability over the medium/longer-term horizon.

The five-year viability period coincides with the Group's strategic review period. Furthermore, beyond this period, performance is increasingly difficult to predict, exacerbated by the impact of Covid-19.

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

As already described in the statement regarding going concern, as part of this assessment the Directors have considered an extended reverse stress test over the viability period with similar mitigations as under the going concern assessment, and have taken account of the availability of the Group's ABL.

Whilst recognising the challenging retail environment will increase the risks and costs around the future refinancing of this facility, based on current market conditions and our 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 on existing or better terms through the duration of the viability period.

Under the reverse stress test, which tests for the breakeven point against our borrowing facilities (liquidity and covenants are tested separately), the July 2022 (Q2 23) covenant test would breach first, in line with the going concern test. Given the assumed recovery in trading post-Covid in the Medium Term Plan, both liquidity and covenant headroom in the outer years of the plan is higher than in FY23. The reverse stress test indicated that, after taking account of the mitigating actions highlighted in the going concern assessment above, the Group would be able to operate within its funding facilities for the five-year assessment period. However, a sustained downturn as a result of the new strategy not turning the business around, or an unexpected failure to renew the ABL in January 2023, would threaten the viability of the business over this five-year assessment period.

Based on this assessment, the Directors have a reasonable expectation that the Group will have sufficient resources to continue in operation and meet its liabilities as they fall due over the period to April 2026.

Notes

1. '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.
2. Full price sales mix relates to the proportion of retail sales made at RRP in full priced stores and owned websites only.
3. Cash annualised saving has been calculated based on the effective date of the lease agreement.

Group Statement of Comprehensive Income

to the members of Superdry Plc

	Note	Adjusted* 2021 £m	Adjusting items (note 7) £m	Total 2021 £m	Adjusted* 2020 £m	Adjusting items (note 7) £m	Total 2020 £m
Revenue	6	556.1	–	556.1	704.4	–	704.4
Cost of sales		(263.0)	–	(263.0)	(326.5)	–	(326.5)
Gross profit		293.1	–	293.1	377.9	–	377.9
Selling, general and administrative expenses		(321.6)	(19.4)	(341.0)	(412.1)	(127.0)	(539.1)
Other gains and losses (net)		19.3	(4.7)	14.6	9.1	1.9	11.0
Impairment credit/(loss) on trade receivables		3.8	–	3.8	(9.2)	–	(9.2)
Operating loss		(5.4)	(24.1)	(29.5)	(34.3)	(125.1)	(159.4)
Finance income		–	–	–	0.2	–	0.2
Finance expense		(7.2)	–	(7.2)	(7.7)	–	(7.7)
Loss before tax		(12.6)	(24.1)	(36.7)	(41.8)	(125.1)	(166.9)
Tax (expense)/credit	10	(3.3)	3.9	0.6	6.1	17.4	23.5
Loss for the period		(15.9)	(20.2)	(36.1)	(35.7)	(107.7)	(143.4)
Attributable to:							
Owners of the Company		(15.9)	(20.2)	(36.1)	(35.7)	(107.7)	(143.4)
Other comprehensive expense net of tax:							
Items that may be subsequently reclassified to profit or loss							
Currency translation differences		12.1	–	12.1	(2.5)	–	(2.5)
Total comprehensive expenses for the period		(3.8)	(20.2)	(24.0)	(38.2)	(107.7)	(145.9)
Attributable to:							
Owners of the Company		(3.8)	(20.2)	(24.0)	(38.2)	(107.7)	(145.9)

		pence per share		pence per share	pence per share		pence per share
Earnings per share:							
Basic	11	(19.4)		(44.0)	(43.5)		(174.9)
Diluted	11	(19.4)		(44.0)	(43.3)		(174.1)

* Adjusted and Adjusting Items are defined in note 22.

2021 is for the 52 weeks ended 24 April 2021 and 2020 is for the 52 weeks ended 25 April 2020.

Balance Sheet

to the members of Superdry Plc Registered number: 07063562

	Note	Group 24 April 2021 £m	Group 25 April 2020 £m
ASSETS			
Non-current assets			
Property, plant and equipment	13	29.4	41.7
Right of use assets	17	91.1	118.0
Intangible assets	14	41.7	48.4
Investments in subsidiaries		–	–
Deferred tax assets		53.8	53.3
Derivative financial instruments	20	0.3	0.1
Total non-current assets		216.3	261.5
Current assets			
Inventories		148.3	158.7
Trade and other receivables		102.3	91.6
Derivative financial instruments	20	2.4	2.5
Current tax receivables		4.0	6.8
Cash and bank balances		38.9	307.4
Total current assets		295.9	567.0
LIABILITIES			
Current liabilities			
Borrowings		–	270.7
Trade and other payables		126.5	103.3
Provisions for other liabilities and charges		6.2	4.2
Derivative financial instruments	20	5.7	2.1
Lease liabilities	17	94.1	80.1
Total current liabilities		232.5	460.4
Net current assets/(liabilities)		63.4	106.6
Non-current liabilities			
Trade and other payables		1.2	2.2
Provisions for other liabilities and charges		10.0	10.8
Derivative financial instruments	20	1.5	0.2
Deferred liabilities		1.1	1.4
Lease liabilities	17	175.5	240.8
Total non-current liabilities		189.3	255.4
Net assets		90.4	112.7
EQUITY			
Share capital	21	4.1	4.1
Share premium		149.2	149.1
Translation reserve		6.6	(5.5)
Merger reserve		(302.5)	(302.5)
Retained earnings		233.0	267.5
Total equity		90.4	112.7

Group Cash Flow Statement

to the members of Superdry Plc

		Group	
	Note	2021 £m	2020 £m
Cash generated from operating activities	18	50.1	87.5
Tax receipt/(payment)		2.5	(2.2)
Net cash generated from operating activities		52.6	85.3
Cash flow from investing activities			
Investments in subsidiaries		–	–
Purchase of property, plant and equipment		(6.8)	(6.4)
Purchase of intangible assets		(6.8)	(7.5)
Proceeds from disposal of assets held for sale		–	2.4
Net cash used in investing activities		(13.6)	(11.5)
Cash flow from financing activities			
Dividend payments	12	–	(3.4)
Proceeds of issue of share capital		0.1	–
Draw down of Revolving Credit Facility		–	(30.0)
Repayment of Revolving Credit Facility		–	30.0
Net interest paid		(7.2)	(7.5)
Repayment of leases – principal amount	17	(39.9)	(61.1)
Net cash used in financing activities		(47.0)	(72.0)
Net (decrease)/increase in cash and cash equivalents	19	(8.0)	1.8
Net cash and cash equivalents/(debt) at beginning of period	19	36.7	35.9
Exchange gains/(losses) on cash and cash equivalents		10.2	(1.0)
Net cash and cash equivalents/(debt) at end of period		38.9	36.7

2021 is for the 52 weeks ended 24 April 2021 and 2020 is for the 52 weeks ended 25 April 2020.

Statement of Changes in Equity

to the members of Superdry Plc

Group	Note	Share capital £m	Share premium £m	Translation reserve £m	Merger reserve £m	Retained earnings £m	Total equity £m
Balance at 27 April 2019		4.1	149.1	(3.0)	(302.5)	413.1	260.8
Comprehensive expense							
Loss for the period		–	–	–	–	(143.4)	(143.4)
Other comprehensive expense							
Currency translation differences		–	–	(2.5)	–	–	(2.5)
Total other comprehensive expense		–	–	(2.5)	–	–	(2.5)
Total comprehensive expense for the period		–	–	(2.5)	–	(143.4)	(145.9)
Transactions with owners							
Employee share award schemes	8,9	–	–	–	–	1.2	1.2
Dividend payments	12	–	–	–	–	(3.4)	(3.4)
Total transactions with owners		–	–	–	–	(2.2)	(2.2)
Balance at 25 April 2020		4.1	149.1	(5.5)	(302.5)	267.5	112.7
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

Notes to the Group Financial Statements

1. Basis of preparation

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs. The Group expects to publish full financial statements that comply with IFRSs in September 2021.

The financial information included in this preliminary announcement does not constitute the Group's statutory accounts for the years ended 24 April 2021 or 25 April 2020, but is derived from those accounts.

The statutory financial statements for the year ended 24 April 2021 will be filed with the Registrar of Companies following the 2021 Annual General 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.

The financial information for the year ended 25 April 2020 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 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 have cast significant doubt on the Group and Company's ability to continue as a going concern.

2. Significant accounting policies

The accounting policies adopted are consistent with those applied by the Group in the Annual Report for the year ended 25 April 2020.

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

The preparation of the financial statements requires estimates and assumptions to be made that affect the reported value of assets, liabilities, revenues and expenses. The nature of estimation 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 IFRS16. An impairment charge of £22.8m (2020: £136.8m) and an impairment reversal of £12.1m (2020: £nil) were recognised in the period (net impairment of £10.7m, 2020: £136.8m).

For impairment testing purposes, the Group has determined that each store is a CGU. Each CGU is tested for impairment if any indicators of impairment have been identified. Given the decline in store sales in the year, all 231 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.

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 the Covid-19 pandemic, together with the Group's views on the achievable growth, all of which have been reviewed and approved by the Board. The 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, as well as the store's sensitivity to the impact of the Covid-19 pandemic. Disruption caused by the Covid-19 impact is estimated to continue throughout FY22 with a gradual recovery of footfall. The subsequent assumptions regarding future store sales recovery, as outlined in the Going Concern statement, are considered key estimates.

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 10-14% 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 12.6% to 15.1% (2020: 12.2% to 14.7%) and are derived from the Group's post-tax WACC range of 10.0% to 11.6% (2020: 9.2% to 11.9%). Discount rates are not considered a sensitive assumption – a 500bps change in the discount rates, which is not considered to be reasonably possible, would result in a £5.7m increase or £4.2m decrease in the net impairment.

Further significant costs (or credits) may be recorded in future years dependent on the longer-term impact of Covid-19 and the success of the Brand reset.

During the year, the Group has recognised a net impairment charge of £3.3m relating to property, plant and equipment and a net impairment charge of £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 (note 13), right of use assets (note 17) and intangible assets (note 14) after the impairment assessment is £162.2m.

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 £5.9m
- A decrease of 200bps in the gross margin rate in all years for each territory would increase net impairment by £6.1m
- An increase of 10% in the year 1 sales growth for each territory would decrease net impairment by £5.7m
- A decrease of 10% in the year 1 sales growth for each territory would increase net impairment by £5.8m
- A 15% change in the central costs being allocated to the store CGUs would increase net impairment by £3.1m

In addition, the Group has considered a range of reasonably possible outcomes within the medium-term financial plan period. The scenario modelled is consistent with the sensitivities applied for the viability assessment. This would increase the net impairment charge by £41.3m.

Onerous property related contracts provisions
Management has also assessed whether impaired and unprofitable stores require an onerous provision for the property related contracts. An onerous property related contracts provision is recognised when the Group believes that the unavoidable costs of meeting or exiting the property related obligations exceed the benefits expected to be received under the lease. The property related contracts 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 contracts as set out in the lease agreement, either at the end of the lease or the lease break date (whichever is shorter), have been considered in the calculation.

The onerous property related contracts provision charge 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 longer-term impact of Covid-19 and the success of the Brand reset.

Risk free rates are not considered a sensitive assumption – a 20% change in the risk-free rates, which is not considered to be reasonably possible, would result in a £8.5m increase or £3.5m decrease in the net impairment.

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

- An increase of 1,000bps in the margin rate in all years for each territory would decrease the onerous property related contracts charge by £3.5m
- A decrease of 1,000bps in the margin rate in all years for each territory would increase the onerous property related contracts charge by £10.2m
- An increase of 40% in year 1 sales growth for each territory would decrease the onerous property related contracts charge by £3.7m
- A decrease of 40% in year 1 sales growth for each territory would increase the onerous property related contracts charge by £8.3m

The downside scenario modelled in the viability assessment, would increase the onerous property related contracts charge by £16.1m.

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 £8.6m, which includes a specific provision and an ECL provision.

The specific provision of £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 £6.0m covers gross debtors of £10.5m.

The ECL provision of £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 externally generated data which reflects the higher credit risk of the Group's debtor book, taking into consideration the impact of the Covid-19 pandemic. A range of possible outcomes for the ECL provision using a range of 60-90% insurance recoveries and 5-20% probability of default gives an ECL provision of £1.0m to £4.8m.

Uncertain tax position

The Group is subject to tax laws in a number of jurisdictions and given the scale of its operations, it is subject to periodic challenges by local tax authorities on a range of tax matters. The group's transfer pricing policies aim to allocate profits and losses to each operating entity on an arm's length basis. In the past two years, the group has experienced an already challenging retail environment, exacerbated by the business disruption caused by the global COVID-19 pandemic.

It is uncertain how different tax authorities may view the impact of the pre-COVID challenging trading environment, and the challenges presented by COVID on the Group's internal transfer pricing policies.

Given this uncertainty, the group has recognised a net £1.3m provision (2020: £nil) in respect of uncertain tax positions as required under IAS12, with due consideration to guidance contained within IFRIC 23. The key estimate in this provision is the possible level of adjustment required by each jurisdiction. A range of possible outcomes for this provision is £nil to £4m.

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, as well as the store's sensitivity to the impact of the Covid-19 pandemic. 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.

Adjusting items
Judgements are required as to whether items are disclosed as adjusting items, with consideration given to both quantitative and qualitative factors. Further information about the determination of adjusting items in financial year 2021 is in note 22.

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 2021, the following amendments were adopted by the Group:

- Amendments to References to the Conceptual Framework in IFRS Standards.
- Amendments to IFRS 3: Definition of a business.
- Amendments to IAS 1 and IAS 8: Definition of Material.

The group also elected to adopt the following amendment early:

- Amendment to IFRS 16 Covid-19-Related Rent Concessions.

The impact of early adopting the amendment to IFRS 16 is described below. The adoption of the other standards and interpretations listed above has not led to any changes to the Group's accounting policies or had any other material impact on the financial position or performance of the Group.

IFRS 16: Covid-19-Related Rent Concessions

The Group has applied Covid-19-Related Rent Concessions, as permitted under amended IFRS 16, issued by the IASB in May 2020. The practical expedient is only applicable to rent concessions provided as a direct result of the Covid-19 pandemic with no other substantive changes to other terms and condition of the lease.

The practical expedient applies only to rent concessions occurring as a direct consequence of Covid-19 and only if all the following conditions are met:

a. The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.

b. Any reduction in lease payments affects only payments originally due in on or before June 30, 2021 (a rent concession meets this condition if it results in reduced lease payments on or before June 30, 2021, and increased lease payments that extend beyond June 30, 2021); and

c. There is no substantive change to other terms and conditions of the lease.

Rent concessions meeting the criteria have been recognised in the period to which they relate. Adoption of the practical expedient has resulted in a £4.0m credit to the Group operating loss.

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 are 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. 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.

Change in segment reporting presentation
The Group's operating segments have been modified during the reporting period. Previously, the operating segments were defined as Retail and Wholesale, with Stores and Ecommerce being reported under the Retail segment. Due to an increase in the sales mix of Ecommerce as a proportion of Retail (accelerated by Covid-19), the Group is focusing on this as a significant channel of growth. Consequently, the level at which the Group's CODM receives information to make decisions has changed, and the Group is now reporting revenue and gross profit under three operating segments – Stores, Ecommerce and Wholesale. The term 'Retail' will be used to define the total of the Ecommerce and Stores segments. The prior year comparatives have been split to provide the same level of information for the three segments.

Segmental information for the business segments of the Group for financial years 2021 and 2020 is set out below. The 'Retail' subtotal of the 'Stores' and 'Ecommerce' segments presented below is considered useful additional information to the reader.

	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
(Loss)/profit before tax			(9.3)	40.8	(68.2)	(36.7)

The segment measure of profit required to be presented under IFRS 8 Segments is gross profit. (Loss)/profit before tax has been presented as an additional profit measure which is considered to provide useful information to the reader since it allows comparison of the Group's results in FY21 with the Group's results under the segmental structure in FY20 (where the 'Stores' and 'Ecommerce' segments were a single 'Retail' segment). Certain costs have not been allocated between the Stores and Ecommerce segments in FY21.

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)
(Loss)/profit 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 22.

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

	Stores 2020* £m	Ecommerce 2020* £m	Retail Subtotal 2020 £m	Wholesale 2020 £m	Central costs 2020* £m	Group 2020 £m
Total segment revenue	287.2	151.6	438.8	510.9	–	949.7
Less: inter-segment revenue	–	–	–	(245.3)	–	(245.3)
Revenue from external customers	287.2	151.6	438.8	265.6	–	704.4
Gross profit	192.5	90.5	283.0	94.9	–	377.9
(Loss)/profit before tax			(125.1)	32.1	(73.9)	(166.9)

* The 2020 balances have been split out to reflect the change in operating segments from Retail to Stores and Ecommerce.

The following additional information is considered useful to the reader:

	Adjusted* 2020 £m	Adjusting items £m	Reported 2020 £m
Revenue			
Retail	438.8	–	438.8
Wholesale	265.6	–	265.6
Total revenue	704.4	–	704.4
Operating (loss)/profit			
Retail	5.3	(124.8)	(119.5)
Wholesale	31.4	0.7	32.1
Central costs	(71.0)	(1.0)	(72.0)
Total operating (loss)/profit	(34.3)	(125.1)	(159.4)
Net finance expense – Central costs	(1.9)	–	(1.9)
Net finance expense – Retail	(5.6)	–	(5.6)
Share of loss of investment – Central costs	–	–	–
(Loss)/profit before tax			
Retail	(0.3)	(124.8)	(125.1)
Wholesale	31.4	0.7	32.1
Central costs	(72.9)	(1.0)	(73.9)
Total (loss)/profit before tax	(41.8)	(125.1)	(166.9)

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

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

	Group	
	2021 £m	2020 £m
External revenue – UK	197.5	254.5
External revenue – Europe	283.5	346.7
External revenue – Rest of world	75.1	103.2
Total external revenue	556.1	704.4

For all channels the Geographic territories have been aligned to the internal management operational structure. In the prior year Russia and Ukraine were included within Europe. In 2021 these territories have been reallocated to Rest of World in line with the internal management structure. To ensure consistent comparatives, this methodology has been applied retrospectively to 2020.

The total of non-current assets, other than deferred tax assets, located in the UK is £68.9m (2020: £84.5m), and the total of non-current assets located in other countries is £93.6m (2020: £123.6m).

7. Adjusting items

The below adjustments are disclosed separately in the Group statement of comprehensive income and are applied to the reported loss before tax to arrive at the adjusted loss before tax. Further information about the determination of adjusting items in financial year 2021 is included in note 22.

	Group	
	2021 £m	2020 £m
Adjusting items		
Unrealised (loss)/gain on financial derivatives	(4.7)	1.9
Net store asset impairment charges and reversals, and onerous property related contracts provision	(15.8)	(124.8)
Non-store intangible asset impairments	(2.1)	–
Restructuring, strategic change and other costs	(1.0)	(1.9)
IFRS 2 charge on Founder Share Plan (note 9)	(0.5)	(0.3)
Total adjusting items	(24.1)	(125.1)
Taxation		
Tax impact of adjusting items (note 10)	–	0.1
Deferred tax on adjusting items	3.9	17.3
Total taxation	3.9	17.4
Total adjusting items after tax	(20.2)	(107.7)

Adjusting items before tax in the period totalled a charge of £24.1m in the year (2020: £125.1m charge).

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.

The prior period review, performed following the downgraded forecast in the medium-term plan driven by Covid-19, identified stores which were either unprofitable, at risk of becoming unprofitable over time, or where anticipated future performance would not support the carrying value of assets. The overall costs charged to the 2020 Group statement of Comprehensive Income of non-cash impairments were £136.8m, affecting around 177 stores. In addition, the reassessment of the onerous property related contracts provision resulted in a release of £12.0m, affecting around 35 stores. There were no releases of impairment provisions against specific stores in the prior year.

A subsequent review was performed in the current period, resulting from the continuing impact of the Covid-19 pandemic on trading performance across the store portfolio. This identified the need for an additional charge to the Group statement of Comprehensive Income for non-cash impairments of £22.8m, affecting 125 stores. Additionally, there is a non-cash credit of £12.1m in the Group statement of Comprehensive Income for the reversal of impairments that were recognised in previous periods, where revised future cash flow projections now support the carrying value of 52 stores. This includes a £5.6m impairment reversal for the Regent Street store. The total net impairment of £10.7m affects plant property 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 charge of £5.1m, affecting around 30 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

The Group has 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 are likely to be replaced or upgraded in the foreseeable future, leading to an impairment of £2.1m. This is considered to be an adjusting item due to the one-off nature of this review.

Restructuring, strategic change and other costs

Adjusting items include £1.4m (2020: £nil) 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 consider these to be adjusting items due to their one-off nature.

During the prior year, the Board and the 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. Costs for the wind-up of the business totalling £1.5m were accrued for in 2020; these were adjusting items based on the one-off nature of this decision. A credit of £0.4m has been recognised in the current year for unutilised accrued amounts.

Unrealised gain/(loss) on financial derivatives

A £4.7m charge has been recognised within adjusting items in respect of the fair value movement in financial derivatives (2020: £1.9m credit), which has been driven primarily by the timing of derivatives and the strong Sterling position against the US Dollar at the year-end, and its impact on forward currency contracts, buying US Dollar with Sterling or selling Euro for Sterling (see note 20 for further details).

IFRS 2 charge on Founder Share Plan

The IFRS 2 charge of £0.5m (2020: £0.3m) in respect of the Founder Share Plan is also included within adjusting items (see notes 9 and 22 for further details).

Tax on adjusting items

The net tax credit on adjusting items totals £3.9m (2020: £17.4m credit). An adjusting tax credit of £1.4m (2020: £16.7m credit) arises as a result of impairments to the right of use assets, a £0.3m adjusting tax credit (2020: £1.5m credit) as a result of impairments to property, plant and equipment at the balance sheet date, and an adjusting tax credit of £2.2m (2020: £0.8m charge) 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			
	2021 Number of shares	2021 Weighted average exercise price	2020 Number of shares	2020 Weighted average exercise price
At start of the period	1,365,690	–	684,868	–
Granted	2,158,592	–	1,026,040	–
Exercised	–	–	–	–
Forfeited	(544,644)	–	(176,041)	–
Cancelled	(160,940)	–	(169,177)	–
Total number of outstanding share awards at end of the period	2,818,698	–	1,365,690	–

None of the share awards were exercisable at the period end date (2020: 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

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 £3.8m (2019: £2.9m), determined using the modified grant-date method. 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 were determined at the grant date using a Black-Scholes pricing model.

A charge of £1.0m (2020: £0.5m) 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 24 April 2021 had a weighted average remaining contractual life of 23 months (2020: 15 months); these shares have an exercise price of £nil (2020: £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	2.87

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

	Group and Company	
	2021 Number of shares	2020 Number of shares
At start of the period	–	–
Granted	286,951	–
Forfeited	(25,793)	–
Total number of outstanding share awards at end of the period	261,158	–

None of the share awards were exercisable at the period end date (2020: 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 (2020: £2.9m) and has been remeasured to £0.7m (2020: £nil) 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 £0.2m (2020: £nil) 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. No charge (2020: 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 31,032 shares (2020: 15,540 shares) have been purchased under the scheme. The charge to the Group statement of comprehensive income is highly immaterial and therefore has not been accounted for.

Other schemes

Share options were issued in the 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 2021 for these awards is £0.1m (2020: £0.4m).

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 over the course of the current year.

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 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 are as follows:

Share settled element – Senior management

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

Cash and share settled elements – All other colleagues

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

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 will accrue over five financial periods in line with the original vesting period, up until financial year 2022.

A charge of £0.5m (2020: £0.3m) 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 number still in issue as at 24 April 2021 is 2,651,638, although none of these have met the vesting criteria. These options have a nil exercise price.

10. Tax

The tax expense comprises:

	Group	
	2021 £m	2020 £m
Current tax		
• UK corporation tax charge for the period	–	–
• Adjustment in respect of prior periods	(0.9)	(6.1)
• Overseas tax	0.8	1.8
Adjusting tax (credit)/expense	–	(0.1)
Total current tax (credit)/expense	(0.1)	(4.4)
Deferred tax		
• Origination and reversal of temporary differences	7.9	(1.0)
• Deferred tax asset movements in respect of tax losses	(7.7)	(5.8)
• Adjustment in respect of prior periods	3.2	5.0
Adjusting tax (credit)/expense	(3.9)	(17.3)
Total deferred tax (credit)/expense	(0.5)	(19.1)
Total tax (credit)/expense	(0.6)	(23.5)

The tax credit on adjusted loss is £0.1m (2020: £4.4m credit). The net tax credit on adjusting items totals £3.9m (2020: £17.4m tax credit), which includes a prior period charge of £0.4m.

An adjusting tax credit of £1.4m arises as a result of impairments to the right of use asset values, a £0.3m adjusting tax credit as a result of impairments to property, plant and equipment, at the balance sheet date and an adjusting tax credit of £2.2m arises in connection with movements on the derivative contracts and an updated onerous lease review.

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

	Group	
	2021 £m	2020 £m
(Loss)/profit before tax	(36.7)	(166.9)
(Loss)/profit multiplied by the standard rate in the UK – 19.0% (2020: 19.0%)	(7.0)	(31.7)
Uncertain tax position	1.3	–
Permanent differences	0.8	1.2
Overseas tax differentials	(1.0)	(10.9)
Deferred tax not recognised	2.4	19.6
Change in overseas tax rates	–	–
Effect of tax rate changes	0.2	(0.6)
Adjustment in respect of prior periods	2.7	(1.1)
Total tax (credit)/expense excluding adjusting items	(0.6)	(23.5)

The Group's tax credit on adjusted losses of £3.3m (2020: £6.1m loss) represents an effective tax rate of 26.2% (2020: 14.6%) and the Group's tax credit on adjusting losses of £3.9m (2020: £17.4m) loss represents an effective tax rate of 16.2% (2020: 13.9%). Taken together the Group's tax credit of £0.6m (2020: £23.5m credit) represents a total effective tax rate of 1.6% (2020: 14.1%) for the period ended 24 April 2021. The Group's total effective tax rate of 1.6% is lower than the statutory rate of tax of 19%.

This is primarily due to the 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.

Post 24 April 2021, Finance Bill 2021 substantively enacted provisions to increase the main rate of UK corporation tax to 25% from 01 April 2023. This was not enacted on the balance sheet date, 24 April 2021. Deferred tax balances relating to the UK as at 24 April 2021 have been measured at a rate of 19%. If we were to restate the deferred tax assets at 24 April 2021 using the 25% future rate, the maximum potential impact would be an increase to the deferred tax asset recognised by c.£12.8m.

11. Earnings per share

	Group	
	2021 £m	2020 £m
Earnings		
Loss for the period attributable to owners of the Company	(36.1)	(143.4)
	No.	No.
Number of shares at year-end	82,041,820	82,010,788
Weighted average number of ordinary shares – basic	82,028,188	82,001,955
Effect of dilutive options and contingent shares	–	387,495
Weighted average number of ordinary shares – diluted	82,028,188	82,389,450
Basic earnings per share (pence)	(44.0)	(174.9)
Diluted earnings per share (pence)	(44.0)	(174.1)

Adjusted earnings per share

	Group	
	2021 £m	2020 £m
Earnings		
Adjusted (loss)/profit for the period attributable to the owners of the Company	(15.9)	(35.7)
	No.	No.
Weighted average number of ordinary shares – basic	82,028,188	82,001,955
Weighted average number of ordinary shares – diluted	82,028,188	82,389,450
Adjusted basic earnings per share (pence)	(19.4)	(43.5)
Adjusted diluted earnings per share (pence)	(19.4)	(43.3)

As at 24 April 2021, 1,528,214 other share options were outstanding that could potentially dilute basic EPS in the future but were not included in the calculation of diluted EPS as they are antidilutive for the periods presented. There is no dilutive effect from the FSP scheme (note 9).

Due to the loss-making position of the Group at the year end, all potential ordinary shares are antidilutive.

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

12. Dividends

	Group and Company	
	2021 £m	2020 £m
Equity – ordinary shares		
Interim for the 52 weeks to 24 April 2021 – nil (2020: 2.0p per share)	–	1.6
Final dividend for the 52 weeks to 25 April 2020 – nil (2020: 2.2p per share)	–	1.8
Total dividends paid	–	3.4

Given the ongoing uncertainty 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 2021.

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
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 plant, property and equipment net impairment movement of £3.3m constitutes part of the total net impairment of £10.7m in 2021 (2020: £136.8m) and relates to an impairment review performed on store assets. This impairment has been included within adjusting items in the year.

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

Of the above impairment of £15.9m, £15.5m constitutes part of the total impairment of £136.8m in 2020 and relates to an impairment review performed on retail store assets, for further details on this please see note 2. This impairment has been included within adjusting expenses in the year. The remaining £0.4m relates to impairment of land during the year as a result of a revaluation triggered by the land sale in 2019. This land impairment has been included within adjusted expenses in the year as the disposal was undertaken through the normal course of business.

14. Intangible assets

	Group					
	Trademarks £m	Website and software £m	Lease premiums £m	Distribution agreements £m	Goodwill £m	Total £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. This impairment has been included within adjusting items in the year.

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

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

Impairment of goodwill

Goodwill of £21.5m is split between the Group's operating segments as £14.3m for Wholesale, £4.7m for Ecommerce and £2.5m for Stores.

The operating segments of the Group were revised during the reporting period, as disclosed in note 6. The goodwill balance at 25 April 2020 of £21.5m was previously split into £14.3m for Wholesale and £7.2m for Retail; this is equivalent to £14.3m for Wholesale, £3.6m for Ecommerce and £3.6m for Stores under the revised reporting structure. The reallocation within the affected unit was performed using a relative value approach.

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.

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 ten-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% (2020: 10.1%) is derived from the Group's post-tax weighted average cost of capital of 10.9% (2020: 9.8%).

Operating cash flows

The key assumptions within the forecast operating cash flows include the growth rates in both sales and gross profit margins, changes in the operating cost base 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% (2020: 2.2%) 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 5 years at the long-term growth rate of 2.0% (2020: additional 5 years at 2.1%).

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, using a version of the medium-term financial plan adjusted for the reverse stress test scenario referred to in the Viability Statement in the CFO Review. 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, there is no material indebtedness owed to or by the Company or the Group to any employee or any other person or entity considered to be a related party.

During the reporting period, the Group has spent £0.1m (2020: £0.1m) on travel and subsistence through companies in which Julian Dunkerton has a personal investment. The balance outstanding at 24 April 2021 was £nil (2020: £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 (2020: £0.1m). The balance outstanding at 24 April 2021 was £nil (2020: £nil).

16. Capital expenditure commitments

	Group	
	2021 £m	2020 £m
Property, plant and equipment	–	–

Contingent liabilities

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

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.

17. Leases

Right of use asset

	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 at 24 April 2021	91.1

The above right of use asset net impairment movement of £7.4m constitutes part of the total net impairment of £10.7m in 2021 (2020: £136.8m) and relates to an impairment review performed on store assets with the remaining £3.3m relating to property, plant and equipment. This impairment has been included within adjusting items in the year.

The carrying amount of the right of use asset is split between motor vehicles of £0.2m (2020: £0.4m) and property of £89.9m (2020: £117.6m).

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

Accumulated depreciation	Group Right of use asset £m
At 28 April 2019	–
Recognition of impairment at transition	48.4
Depreciation charge	55.0
Disposals	–
Net impairment charges and reversals	122.8
At 25 April 2020	226.2
Net balance sheet amount on 25 April 2020	118.0

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

	Group	
	2021 £m	2020 £m
Lease expense relating to short-term assets	4.3	5.1
The expense of variable lease payments not included in the lease liabilities	1.3	3.8

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% (2020: 0.1% to 8.5%).

	Group	
Analysed as:	2021 £m	2020 £m
Current lease liability	94.1	80.1
Non-current lease liability	175.5	240.8
Total lease liability	269.6	320.9

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

	Group	
	2021 £m	2020 £m
Less than one year	94.1	84.4
One to two years	54.3	65.2
Two to three years	43.8	55.7
Three to four years	36.7	45.1
Four to five years	25.5	37.8
More than five years	24.4	51.8
Total undiscounted lease liability	278.8	340.0

Reconciliation of liabilities to cash flow arising from financing activities:

	Group	
	2021 £m	2020 £m
Opening lease liability	320.9	–
Recognition of lease liability on transition	–	372.1
Payment of lease liability	(45.4)	(66.8)
Present value of Covid-19 rent concessions and deferrals	(4.2)	–
Increase due to lease additions and modifications	18.0	7.8
Decrease due to lease disposals and modifications	(21.3)	(2.3)
Interest expense	5.5	5.7
Foreign exchange differences	(3.9)	4.4
Closing lease liability	269.6	320.9

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	2021 £m	2020 £m	
Operating loss		(29.5)	(159.4)	
Adjusted for:				
• Loss/(gain) on derivatives		4.7	(1.9)	
• Depreciation of property, plant and equipment and right of use assets	13,17	42.4	78.5	
• Amortisation of intangible assets	14	11.0	8.7	
• Impairment of property, plant and equipment, right of use assets and intangible assets		12.8	139.1	
• Loss on disposal of property, plant and equipment		0.1	0.3	
• Lease modifications	17	(14.3)	–	
• IFRS 16 Covid-19 rent concessions		(4.0)	—	(1.6)
• Increase/(decrease) in onerous property related contracts provision (net of releases on exited stores)		4.6	(12.0)	
• Increase/(decrease) in other provisions		1.6	–	
• Release of lease incentives		(0.3)	(0.1)	
• Employee share award schemes	8	1.1	0.9	
• IFRS 2 charge – FSP	9	0.5	0.3	
• Foreign exchange losses		0.5	(1.9)	
• Write down of inventory		2.3	7.7	
• Net impairment (credit)/loss of trade receivables		(3.8)	15.3	
Operating cash flow before movements in working capital		29.7	75.5	
Changes in working capital:				
• Decrease/(increase) in inventories		6.2	21.6	
• (Increase)/decrease in trade and other receivables		(10.8)	14.6	
• Increase/(decrease) in trade and other payables and provisions		25.0	(24.2)	
Cash generated from/(used in) operating activities		50.1	87.5	

Group cash flows arising from adjusting items are £1.4m (2020: £nil).

19. Net cash/(debt)

Analysis of net cash/(debt)

	Group			
	2020 £m	Cash flow £m	Non-cash changes £m	2021 £m
Cash and bank balances	307.4	(278.7)	10.2	38.9
Overdraft	(270.7)	270.7	–	–
Net cash/(debt)	36.7	(8.0)	10.2	38.9

Non-cash changes relate to exchange gains on cash and cash equivalents. Interest of £nil (2020: £0.2m) has been incurred in respect of short-term facilities.

The position outlined above is not inclusive of financing liabilities in relation to IFRS 16. Financing liabilities comprise overdrafts and lease liabilities, and the reconciliation from opening to closing financing liabilities is disclosed in the table above for overdrafts, and in note 17 for lease liabilities.

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 (2021 overdrafts: £nil, 2020 overdrafts: £270.7m). 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

From 25 April 2018, the Group applied the IFRS 9 simplified approach in measuring expected credit losses ("ECL"). The Group's financial assets subject to the ECL model are primarily trade receivables.

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

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

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the 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.

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 24 April 2021 and 25 April 2020, the Group had entered 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 24 April 2021, if the currency had weakened/strengthened by 10% against both the US Dollar and Euro with all other variables held constant, profit for the period would have been £13.8m (2020: £29.9m) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US Dollar/Euro trade receivables, cash and cash equivalents, and trade payables. The figure of 10% used for sensitivity analysis has been chosen because it represents a range of reasonably probable fluctuations in exchange rates.

The Group's foreign currency exposure is as follows:

	Group			
	2021 US Dollar £m	2021 Euro £m	2020 US Dollar £m	2020 Euro £m
Financial assets				
Trade receivables	2.5	40.5	1.4	46.4
Cash and cash equivalents	3.5	20.1	21.6	74.7
Financial assets exposure	6.0	60.6	23.0	121.1
Financial liabilities				
Trade payables	(8.3)	(11.1)	(11.2)	(11.8)
Lease liabilities	(29.7)	(116.3)	(47.2)	(159.0)
Overdrafts	–	–	(86.4)	(127.0)
Financial liabilities exposure	(38.0)	(127.4)	(144.8)	(297.8)
Net exposure	(32.0)	(66.8)	(121.8)	(176.7)

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 (2021: £nil overdraft, 2020: £270.7m overdraft). These balances have been excluded from contractual cash flows.

Following Covid-19, the Group is closely managing cash flows through reduced capital expenditure, tight control over day-to-day spend and working collaboratively with suppliers. Government support has been utilised where available, including furlough schemes, with additional details found in note 23. There is additionally a focus on improving operational efficiency through reducing stock levels, and on overall liquidity.

During the year the Group entered a new financing facility with existing lenders, HSBC and BNPP in the form of a new Asset Backed Lending Facility ("ABL Facility") which is for up to £70m, with a term until January 2023. The ABL Facility can be extended by up to 1 year, at the request of the Group and the agreement of the lenders.

Maturity of undiscounted financial liabilities (excluding derivatives)

The expected maturity of undiscounted financial liabilities is as follows:

	2021 £m	2020 £m
In one year or less	105.0	352.7
In two to five years	1.2	1.8

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					
			2021			2020
	Level 1 £m	Level 2 £m	Level 3 £m	Level 1 £m	Level 2 £m	Level 3 £m
Assets						
Derivative financial instruments						
• forward foreign exchange contracts	–	2.7	–	–	2.6	–
Liabilities						
Derivative financial instruments						
• forward foreign exchange contracts	–	(7.2)	–	–	(2.3)	–

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 24 April 2021.

The notional principal amount of the outstanding outright FX contracts as at 24 April 2021 was £103.0m (2020: £245.2m). There are no structured forward foreign exchange contracts in place as at 24 April 2021 (2020: Structured forward foreign exchange contracts in place to sell up to EUR 96m (£87.4m)).

Derivative financial instruments

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

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

	Group	
	2021 £m	2020 £m
Forward foreign exchange contracts – current	2.4	2.5
Forward foreign exchange contracts – non-current	0.3	0.1
Total derivative financial assets	2.7	2.6
Forward foreign exchange contracts – current	5.7	2.1
Forward foreign exchange contracts – non-current	1.5	0.2
Total derivative financial liabilities	7.2	2.3

All financial derivative instruments are due within 24 months.

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

Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders, and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. The Group is not subject to any externally imposed capital requirements. The Group's strategy remains unchanged from financial year 2020.

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 cash position on 24 April 2021.

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 22 for definition). Considering the current economic climate and consistent with the FY20 decision, the Board did not propose an interim dividend and has made the decision not to recommend a final dividend for FY21.

The capital structure is as follows:

	Group	
	2021 £m	2020 £m
Equity	90.4	112.7
Cash and cash equivalents	38.9	307.4
Overdraft	–	(270.7)
Net cash and cash equivalents	38.9	36.7

	Group					
	Assets at fair value through profit or loss 2021 £m	Financial assets at amortised cost 2021 £m	Total 2021 £m	Assets at fair value through profit or loss 2020 £m	Financial assets at amortised cost 2020 £m	Total 2020 £m
Trade and other receivables excluding non-financial assets	–	84.7	84.7	–	88.5	88.5
Derivative financial instruments	2.7	–	2.7	2.6	–	2.6
Cash and cash equivalents	–	38.9	38.9	–	307.4	307.4
Financial instruments – assets	2.7	123.6	126.3	2.6	395.9	398.5

	Group					
	Liabilities at fair value through profit or loss 2021 £m	Other financial liabilities at amortised cost 2021 £m	Total 2021 £m	Liabilities at fair value through profit or loss 2020 £m	Other financial liabilities at amortised cost 2020 £m	Total 2020 £m
Derivative financial instruments	7.2	–	7.2	2.3	–	2.3
Lease liabilities	–	269.6	269.6	–	320.9	320.9
Overdrafts	–	–	–	–	270.7	270.7
Trade and other payables excluding non-financial liabilities	–	106.2	106.2	–	83.8	83.8
Financial instruments – liabilities	7.2	375.8	383.0	2.3	675.4	677.7

21. Share capital

Authorised, allotted and fully paid 5p shares

Group and Company	Number of shares	Value of shares (£m)
24 April 2021	82,041,820	4.1
25 April 2020	82,010,788	4.1

31,032 ordinary shares of 5p were authorised, allotted and issued in the period under the Superdry Share Based Long-Term Incentive Plans, Buy As You Earn and Save As You Earn schemes.

22. 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 the preliminary results are adjusted operating profit and margin, adjusted (loss)/profit before tax, adjusted tax expense and adjusted effective tax rate, adjusted earnings per share and net cash/debt.

Like-for-like ("LFL") has been removed as an APM in the current year as it is no longer considered relevant as a key measure of performance due to the disruption caused from Covid-19 related store closures.

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.

In previous reporting periods "Adjusting items" were described as "Exceptional and other items"

Adjusting items in this period

The following items have been included within ''adjusting items'' for the period ended 24 April 2021:

Fair value re-measurement of foreign exchange contracts – financial years 2021 and 2020

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 years 2021 and 2020

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

During the prior year, 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. Costs for the wind-up of the business totalling £1.5m were accrued for; these are adjusting items based on the one-off nature of this decision. A credit of £0.4m has been recognised in the current year for unutilised accrual amounts.

Store asset impairment and onerous property related contracts provision – financial years 2021 and 2020

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 £10.7m of fixed assets, intangible assets and right of use assets has been made on the basis that the recoverable amount is less than the carrying value. In addition, an onerous property related contracts provision of £5.1m has been charged

A similar exercise was performed in financial year 2020 across all store assets, resulting in a fixed asset impairment of £136.8m and an onerous property related contracts provision release of £12.0m.

The Directors consider the store impairment and onerous property related contracts provision to be an adjusting item due to the materiality of the charge.

Founder Share Plan (“FSP”) – IFRS 2 charge – financial years 2021 and 2020

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. The full-year charge for FY21 and FY22 has been estimated between £0.2m – £0.5m each period. 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. See note 9 for further details of the FSP.

Intangible asset impairments – financial year 2021

The Group has 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 are likely to be replaced or upgraded in the foreseeable future, leading to an impairment of £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.

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. In previous reporting periods “Adjusted operating profit and margin” was described as “Underlying operating profit and margin.” Although the Group is currently making an operating loss, adjusted operating profit and margin remain key metrics monitored by management given the Group’s intention to return to profitability.

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

	2021 £m	2020 £m
Reported revenue	556.1	704.4
Operating loss	(29.5)	(159.4)
Adjusting items	24.1	125.1
Adjusted operating (loss)/profit	(5.4)	(34.3)

	2021 £m	2020 £m
Operating margin	(5.3)%	(22.6)%
Adjusted operating margin	(1.0)%	(4.9)%

Adjusted (loss)/profit before tax

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

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

In previous reporting periods “Adjusted (loss)/profit before tax” was described as “Underlying (loss)/profit before tax.”

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

	2021 £m	2020 £m
Loss before tax	(36.7)	(166.9)
Adjusting items	24.1	125.1
Adjusted loss before tax	(12.6)	(41.8)

Adjusted tax expense and adjusted effective tax rate

In the opinion of the Directors, adjusted tax expense is the total tax charge for the Group excluding the tax impact of adjusting items. Correspondingly, the adjusted effective tax rate is the adjusted tax expense divided by the adjusted (loss)/profit before tax.

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

In previous reporting periods "Adjusted tax expense and adjusted effective tax rate" was described as "Underlying tax expense and underlying effective tax rate."

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

	2021 £m	2020 £m
Adjusted loss before tax	(12.6)	(41.8)
Tax credit/(expense)	0.6	23.5
Adjusting items – current tax	–	(0.1)
Adjusting items – deferred tax	(3.9)	(17.3)
Adjusted tax credit/(expense)	(3.3)	6.1
Adjusted effective tax rate	26.2%	(14.6)%

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. 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 11 for the Group's adjusted EPS.

In previous reporting periods "Adjusted EPS" was described as "Underlying 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 £9.2m was recognised in the year (2020: £2.9m), through the UK's Coronavirus Job Retention Scheme (CJRS) and equivalent schemes in other countries. A provision of £1.6m has been recognised to cover any existing furlough related clawbacks.

The business rates reductions from the UK government totalled £15.7m (2020: £1.7m).

Lost revenue and subsidy support in the UK and other territories of £2.5m has been recognised in the year (2020: £nil).

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:

- 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.
- 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, leading 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.