Reissued on 30 July 2019

ISuperdryPlc

("Superdry" or "the Company")

10 July 2019

Preliminary Results for the 52 weeks ending 27 April 2019

First steps to revitalising Superdry

	52 weeks ended 27 April 2019	52 weeks ended 28 April 2018	Change
Underlying[1] reporting			
Total Group revenue:	£871.7m	£872.0m	0.0%
Gross margin	55.6%	58.1%	(2.5%)pt
Underlying[1] profit before tax	£41.9m	£97.0m	(56.8%)
Underlying[1] basic earnings per share	36.3p	93.6p	(61.2%)
Proposed final ordinary dividend per share	2.2p	21.9p[3]	(90.0%)
Statutory reporting			
Net cash[2] position	£35.9m	£75.8m	(52.6%)
Onerous lease and Impairment charges	(£129.5m)	(£7.2m)	-
Other items excluded from underlying results	£2.2m	(£24.5m)	-
(Loss) / Profit before tax	(£85.4m)	£65.3m	-
Statutory basic earnings / (loss) per share	(120.3p)	62.2p	-

Financial Highlights

- In a difficult retail climate, full year Group revenue was flat on the prior year, with a first half performance benefiting from discounting and space growth followed by poor performance in the second half across all channels.
- Full year underlying profit before tax of £41.9m, significantly below the prior year of £97.0m and after including £11.1m credit related to the utilisation of the onerous lease provision and the reduced depreciation following the impairment charge triggered in January 2019
- Non-cash onerous lease and impairment charges of £129.5m, impacting circa half of the owned retail estate as a result of decreasing store revenues and cautious recovery plan
- Full year statutory loss before tax of £85.4m, versus prior year profit of £65.3m
- Closing cash position of £35.9m, supports maintaining dividend policy, with total dividend of 11.5p including a final proposed dividend of 2.2p

Strategic Imperatives

- Founder, Julian Dunkerton, returns to direct and strengthen the business, focussing on design-led roots and creating a solid platform for long term profitable growth through:
    - Design & Product: bringing back design excellence, and creating clearer customer segmentation
    - Brand & Marketing: re-igniting the brand DNA through consumer engagement and social media
    - Channels to market: resetting store profitability, support for Wholesale and growth plan for Ecommerce
    - People & Culture: building a cohesive team to stabilise the business

Julian Dunkerton, Founder and Interim Chief Executive Officer, said:

“The issues in the business will not be resolved overnight. My first priority on returning to Superdry has been to steady the ship and get the culture of the business back to the one which drove its original success. All the team in Superdry are working incredibly hard to deliver the direction set out, with a real focus on returning the business to its design-led roots and getting the retail basics right. Although we are only three months in, our initiatives are gaining some early traction, and I am confident we are doing the right things to ensure that over time Superdry will return to strong profitable growth.”

Peter Williams, Chairman, said:
“These are clearly a very disappointing set of results. However, everything I have learnt since joining the business in April has reinforced my view that Superdry is a powerful brand with great people across the organisation. While we have been clear it is going to take time, I remain convinced that continuing to work closely with Julian and the leadership team, we are building the right plan to deliver long-term sustainable growth for shareholders. It has been a priority since joining to ensure appropriate corporate governance is in place, and I am delighted to have made two excellent appointments to the Board in Helen Weir and Alastair Miller, who both have extensive retail and listed company experience. I will continue to look to strengthen the leadership of the business over the coming months.”

Outlook

Global retail markets are expected to remain highly competitive and the consumer outlook continues to be uncertain, including the continued uncertainty of the impact of Brexit. Given the scale of the trading downturn in FY19 and the lead times required to rectify the product range and proposition, management view FY20 as a year of reset, creating a platform from which Superdry can return to long-term profitable growth. We expect our financial performance in FY20 to reflect market conditions and the historic issues inherited.

Despite early, albeit small positive results from new initiatives across the Retail channel, we expect Group revenue to show a slight decline in FY20, particularly in the first half, as we rebalance promotional activity and strengthen the brand. The stronger full price trading stance in Retail will support gross margin rate gains, partially offset by the dilutive impact of channel mix towards Wholesale. Overheads and central costs are expected to show a modest reduction year on year, with savings from store costs and central efficiencies partially offset by investments required in focus areas such as marketing. Within these expectations we will keep a tight control on cash, investing to support profitable growth whilst building cash resources.

Our future reported financial performance will also include the positive impact of the onerous lease and impairment unwind, subject to the impact of IFRS16.

Notes:

1. ‘Underlying’ and ‘Net cash’ are used as alternative performance measures (‘APM’). Definition of APMs and how they are calculated are disclosed in the financial statements
2. The trading comparatives for each quarter of FY19 are detailed below (unaudited):
3. This release was updated on 12 July 2019, from that published on 10 July 2019, to reflect the comparative dividend per share number correcting FY18 reported as 21.3p to 21.9p on page 1 the underlying EBITDA table on page 35 correcting total FY19 EBITDA reported as £82.8m to £84.8m and FY18 EBITDA reported as £137.8 to £138.4, and the record date for the final ordinary dividend on page 12 correcting the stated date of 12 July 2019 to 19 July 2019.
4. This release was updated on 30 July 2019, from that published on 12 July 2019, to reflect the quarterly split of channel revenue in the table below to make it consistent with the previously announced trading statements. There is no change to the total revenue because of this.

FY19 [4]	**Q1**	**YOY**	**Q2**	**YOY**	**H1**	**YOY**	**Q3**	**YOY**	**Q4**	**YOY**	**H2**	**YOY**	**FY19**	**YOY**
	£m	**%**	**£m**	**%**	**£m**	**%**	**£m**	**%**	**£m**	**%**	**£m**	**%**	**£m**	**%**
Stores	88.6	(0.8)%	88.8	(3.7)%	**177.4**	(2.3)%	126.8	(8.5)%	68.8	2.2%	**195.6**	(5.0)%	**373.0**	(3.7)%
Ecommerce	28.7	6.7%	36.7	7.3%	**65.4**	6.9%	69.0	(0.7)%	29.3	(3.9)%	**98.3**	(1.7)%	**163.7**	1.6%
Retail	117.3	0.9%	125.5	(0.7)%	**242.8**	0.0%	195.8	(5.9)%	98.1	0.3%	**293.9**	(3.9)%	**536.7**	(2.2)%
Wholesale	48.2	(4.2)%	123.6	13.3%	**171.8**	7.8%	73.5	12.7%	89.7	(9.3)%	**163.2**	(0.5)%	**335.0**	3.6%
Group	165.5	(0.6)%	249.1	5.7%	**414.6**	3.1%	269.3	(1.5)%	187.8	(4.5)%	**457.1**	(2.7)%	**871.7**	(0.0)%

Market Briefing

A presentation for analysts and investors will be held today starting at 9.30am at the London Stock Exchange. An audio recording of the event will be available on our corporate website shortly afterwards.

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Reporting calendar confirmation

AGM	11 September 2019
Half year pre-close trading statement	7 November 2019
Half year results	12 December 2019
Q3 trading statement	6 February 2020
Full year pre-close trading statement	7 May 2020
Full year results announcement	9 July 2020

Notes to Editors

Superdry is a Global Brand, obsessed with design, quality and fit and committed to relentless innovation. We design affordable, premium quality clothing, accessories and footwear which are sold around the world. We have a unique purpose to help our consumers feel amazing through wearing our clothes. We have a clear strategy for delivering continued growth via a disruptive multi-channel approach combining Ecommerce, Wholesale and physical stores. We operate in 55 countries, including our development markets of North America and China and have almost 5,000 colleagues globally.

Cautionary Statement

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

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.

Chairman's statement

The last year has been a year of considerable challenge and change for Superdry with profit warnings issued in October and December 2018 and May 2019, amidst a difficult trading landscape for most fashion retailers. Unseasonably warm weather over a prolonged period had led to a declining sales performance and it appeared that Superdry may have been losing its appeal to its traditionally broad consumer base.

Towards the end of 2018, shareholder and founder Julian Dunkerton engaged with the Board to express his frustration with the Company's performance and to request a place on the plc Board. The Board and Julian were unable to reach a consensus as to his ongoing involvement in the business and so, on 1 March 2019 Julian, together with fellow founder and shareholder James Holder, took the step of requisitioning a general meeting of shareholders. That meeting took place on 2 April 2019 and the resolutions proposed at the meeting, to appoint Julian and me to the Board of the Company as Directors, were duly passed.

At the first Board meeting following the General Meeting on 2 April 2019, the Chief Executive Officer, Euan Sutherland, and the Chief Financial Officer, Ed Barker, stood down from the Board with immediate effect. Julian Dunkerton was appointed Interim Chief Executive Officer. At the same meeting the previous Chairman, Peter Bamford, and Non-Executive Director Penny Hughes also stood down from the Board with immediate effect.

The other Non-Executive Directors, Minnow Powell, Dennis Millard, John Smith and Sarah Wood, gave notice that they would also step down from the Board on 1 July 2019 after serving the three-month notice period under their contracts. As a result I agreed to take up the role of Chairman with effect from 2 April. I have welcomed the opportunity to work with the existing Non-Executive Directors over the last 3 months and greatly appreciate the support they have given me. On 3 June 2019 we were delighted to announce that Nick Gresham had joined the Company as Interim Chief Financial Officer.

After just 14 weeks Julian and I are stabilising the business and working hard together to reset Superdry's strategy in order to provide the foundations for the future. Whilst there may be early wins, the turnaround to sustained profitable growth will take time. We are fortunate that Julian agreed to take on the role as Interim Chief Executive Officer until we find a suitable permanent successor. It will be vital to ensure that the successful candidate can work closely with Julian and the rest of his leadership team to ensure that the direction of the business remains true to Julian's vision; preliminary work has started to ensure that we have a clear specification of the skills and experience that will be necessary for the role.

The business also needs to modernise itself in terms of its infrastructure, working environment and leadership structure to operate in the multi-channel world of retail.

We have made good progress on finding replacement Non-Executive Directors. On 4 July we announced the appointment of Helen Weir as Senior Independent Director and Alistair Miller as Chairman of the Audit Committee. They both have extensive relevant experience both in the retail sector and in the public company environment. The search for an additional two Non-Executive Directors is also well advanced.

It has been a year of considerable change and I would particularly like to thank all of my new colleagues at Superdry, who are working so hard despite the challenges we are facing. There will be more change to come. I would also like to thank our shareholders and wider stakeholder community for their support as Superdry looks to the future.

Interim Chief Executive's Statement

This has been a year of considerable change at Superdry, and one of the most challenging in our history of creative progress and strong sales growth and the issues in the business will not be resolved overnight. My first priority on returning to Superdry has been to steady the ship and get the culture of the business back to the one which drove its original success. All of the team in Superdry are working incredibly hard to deliver the direction being set out, with a real focus on returning the business to its design-led roots and getting the retail basics right.

In a difficult retail climate, full year Group revenue was flat on the prior year, with a first half performance benefitting from discounting and space growth followed by poor performance in the second half across all channels.

Full year underlying profit before tax £41.9m, significantly below the prior year of £97.0m and after including £11.1m credit related to the utilisation of the onerous lease provision and the reduced depreciation following the impairment charge triggered in January 2019.

Non-cash onerous lease and impairment charges of £129.5m, impacting circa half of the retail estate as a result of decreasing store revenues and cautious recovery plan. This resulted in a full year statutory loss before tax £85.4m, versus prior year profit of £65.3m.

Whilst improving the productivity of our business, concurrently our focus will be on driving cost efficiencies to support investment in Superdry, to streamline operations, reduce excess capacity and right-size the Company to create profitable growth. We are examining the business in detail, looking at every issue and opportunity in turn, and we will deliver a full strategic update later in the year.

We remain in a cash positive position with closing cash of £35.9m. This supports maintaining the dividend policy and the proposal to pay a final dividend of 2.2p per ordinary share giving a full year dividend of 11.5p per ordinary share.

Strategy

My express intention in returning to the business is to guide the brand that James Holder and I founded, back to its design-led roots. This desire is driven by our belief that, together with the wider design team that we had assembled at Superdry, we can return the Company to strong revenue growth, restore double-digit EBIT margins and rebuild profitability over a three-year time frame.

This programme has started in earnest and I would like to share with you the strategic objectives that underpin this new direction and creative reinvigoration of a great British brand.

We have reversed the previous buyer-led approach to return to being a design-led business; we have re-engaged Super Design Lab and our exceptional internal creative teams; we are returning to the quality of product for which the brand previously became famous; we are producing a continuous flow of innovative, brand enhancing product and capsule collections. Critically, we are enhancing and supporting the business by reducing lead times, and producing cutting edge, commercial branded product.

Primarily, Superdry is a brand that retails. As such we are returning the company to the retail basics: placing the consumer at the heart of the design process; taking decisions and acting swiftly; trialling products and ideas, learning quickly, and rolling out the winners; driving cost efficiency to keep the brand lean and agile.

Product and Design

Understanding our customer is key, and we are committed to ensuring that brand quality and fit are the best in the world at a price that is achievable to everyone. The relationship between the reinvigorated Super Design Lab and our in-house designers will be very important. These two elements will be clearly aligned but there will be a distinct difference with regards to approach. I will stay with the in-house designers and will support the selection of ranges to ensure there is a breadth of strong design and core classics. Through judicious use of design collaborations, we shall broaden and strengthen both the customer appeal and the opportunities for our brand.

This separation of the in-house team and the Super Design Lab will ensure that the creative process is not constrained, there are separate goals, but the end products will be able to sit alongside each other in a complimentary way.

This creates a halo effect for the brand and allows a drop ship model, with limited edition products online and in store. This will enable active engagement on social media and generate excitement amongst our consumers. We believe this will re-engage age groups for which, potentially, we have not been effectively catering. We will create more targeted and larger ranges which will bear fruit in forward orders from Jan/Feb 2020 in Wholesale and Autumn 2021 in Retail.

Globally there is little competition for an accessible fabric and fit driven, branded offering of our quality and our price proposition. The incorporation of branding in the design process makes us unique. At Superdry we blend the branding into the design itself, a design decision which differentiates us from our competitors. Moving forward, we are excited about how we can reinvigorate the Superdry brand.

Brand and Marketing

In the current year, we will be increasing investment behind our brand and marketing activities with the desire to re-ignite the brand DNA. We will be creating more visually exciting brand assets to use across all channels and to help achieve this we will be increasing the marketing team headcount and experience.

We recognise the opportunity social media offers a brand like Superdry and therefore we are already making changes to bring social media activity back in-house to enable us to reduce costs and reinvest this to significantly improve our social influence on line.

Channels to market - Retail

Our strategy moving forward will be to limit discounting. Our approach will be carefully considered, and the main focus of any clearance activity will be in outlets, rather than in our stores and online.

We are testing the proposition offered in our stores through increased density, choice and customer experience. In our stores we are testing various different combinations of fixtures, product density and product choice, and will deliver an enhanced retail experience across all stores: that sense of excitement for all customers who cross the threshold to our stores is vital.

The Company is currently conducting a thorough review of its owned store portfolio but still sees its store estate as a key asset in Superdry's mission to develop its digital business, a clear advantage that we have over pure play Ecommerce retailers. Our stores are equipped to take and fulfil orders, and from later in FY20, we will implement the capability to maximise both the return on our stock and availability to our customers. We will also take advantage of naturally occurring lease expiry and break points to consider relocations and rationalisations to optimise the physical footprint of our estate and identifying a number of opportunities for rent renegotiations.

As such, we hope to improve profitability across our own store estate without needing to close a significant number of our stores.

Channels to market - Ecommerce

Superdry continues to be a brand with huge digital potential and Ecommerce is likely to be the fastest growing division of our business over the next 5 years: its high returns and capital light nature will enhance overall returns for shareholders. Having re-balanced our capital investment towards digital channels, we have a dynamic rolling programme of enhancements, each of which improves the customer experience. By adding a far greater degree of social media to the mix, we can expand the range and personalise what we put in front of customers.

We are redesigning the Superdry website, making the navigation-to-basket easier and quicker and enhance and improve overall appearance and the digital consumer experience in order to increase conversion rates.

When I first returned at the beginning of April 2019, there was a large amount of stock available in our warehouses but not accessible to customers. By releasing this stock, it will potentially more than double the choice online. This has moved us from a potential of 60,000 SKUs (Stock Keeping Unit) online in early spring to a potential of 140,000 SKUs by the end of the summer. This stock that had previously been in a warehouse has now been achieving full price sales. We have been in the process of removing all promotional activity in outlets and building gross margin.

Another quick win has been immediately rectifying the October jackets proposition by creating a commercial range that will flow into all channels. I have been committed to creating products that appeal to more clearly defined demographics, by keeping consumer tastes and fashions central to the design process, and producing great products, accordingly.

We have been setting up a fast response graphics programme with unlimited potential for newness from September 2019 onwards. This is key for us as it enables us to create products incredibly quickly. The online channel has to drop newness every week allowing us to replace a discount message with the constant newness is fundamental for any premium brand.

These changes will energise the Superdry brand once again across our digital channels, and we will adapt our physical stores to reflect any new information, another advantage that we have over pure play Ecommerce retailers.

Channels to market - Wholesale

Our commitment to a reduction in promotional activity will enhance our relationship with Wholesale customers. This will be supported through a rebalance and growth in Wholesale choice with our offering tailored to customers locations. Our Wholesale customers are crucial partners in our global sales operation. We look forward to providing them with exciting and innovatively designed new product that will, in turn, delight and engage their own customers. Superdry will be looking at the Wholesale opportunities on a country by country basis.

There will be a constant flow of short lead time products layered over the top of the mainline range to provide an improved level of responsiveness. Our return to delivering more design classics will reduce the fashion risk on products with a long lead time.

We will double the product option count, including an expansion of womenswear, Superdry sport, and a premium range, underpinned by our never-out-of-stock products (classic style, core colour) and our core products (classic style, fresh colours). Over these we can layer our responsive product (trend led, short order quantities) which will generate freshness and excitement for the brand.

The market has developed, and it is important that Superdry can evolve to meet the new demands. Our approach is to capture the way people shop now and utilise the power of social media and marketing to support the growth of our brand.

Summary

Across the world, there are many opportunities Superdry has for growth. Asia is an area of significant growth potential and therefore we are looking towards this region as providing one of the most exciting future opportunities for Superdry. In terms of our other geographic locations, we see multiple opportunities for growth across our channels. In the UK particularly it will be online and a broadening of our demographic. In Europe it will be largely franchise and online. In the US this growth is likely to stem from own retail stores and online.

The most successful fashion companies and brands are driven, nurtured and grown by relentlessly creative and entrepreneurial teams. They understand and anticipate evolving trends and rapidly developing consumer tastes, delivering for customers through a multi-channel environment, generating retail excitement and a sense of theatre.

Our aim is to restore Superdry to a high margin business, with strong brand recognition and a loyal customer base, to put a halt to constant discounting and to re-invigorate the Ecommerce business, providing vision for this channel of opportunity.

I am proud of our people's passion and engagement and I want to thank all Superdry colleagues for their creative energy and dedication to our great company.

Financial Review

Revenue

In a difficult retail climate, Group revenue saw a small decline year on year of £0.3m to £871.7m (2018: £872.0m). This was driven by the modest growth achieved in our Wholesale channel, which delivered a sales increase of 3.6%, offset by a revenue decline of 2.2% in our Retail channel. After a first half total revenue growth of 3.1%, boosted by promotional discounting and space growth, the second half of the year traded significantly worse at a decline of 2.7%.

The currency translation impact of the Group's international operations was 0.0% and therefore no impact to Group revenues on a constant currency basis.

Underlying is defined as reported results before exceptional items and other items. It is further explained in note 24.

Our Retail division

Our Retail division includes Owned Store and Ecommerce as routes to market. Ecommerce growth of 1.6% was offset by an Owned Store decline of 3.7%, resulting in the Retail division delivering revenue of £536.7m (2018: £548.6m), down 2.2% on the year.

Retail store performance benefitted from 5.8% average space growth in the year, adding a net 2 stores to close at 248 owned stores across the UK, Europe and the USA, and therefore like for like store sales saw a decline of 9.6%, following a decline of (6.0)% in FY2018. Ecommerce revenue grew by 1.6%, a marked slowdown from FY2018 (+25.8%), with declines in 3rd party sites amplifying the slower growth from owned sites.

Despite this deceleration, the relative growth of Ecommerce resulted in participation within Retail revenue increasing from 29.4% to 30.5%.

Retail revenue	**2019** **£m**	2018 £m	Change
Owned Retail Stores	373.0	387.4	(3.7%)
Ecommerce	163.7	161.2	1.6%
Total Retail revenue	536.7	548.6	(2.2%)
Ecommerce revenue as a proportion of Total Retail revenue	30.5%	29.4%	

Performance in our largest market, the UK and ROI, was weak, with revenues declining 7.0%. This was driven by continued negative LFL performance in our store estate, as well as a significant slow down in Ecommerce revenues in the second half of FY2019.

Revenues in Europe grew by 0.5%, with growth in France and Germany offsetting relative weakness in smaller EU markets. The results also benefitted from the annualisation of FY2018 store openings (6.9% average net space increase).

North America saw strong growth in store revenues, benefitting from a net 10 new store openings since the start of FY2018 offsetting LFL declines in that market. However, Ecommerce weakness was a drag on this performance, impacted by a significantly reduced range offering as we transitioned to in-market fulfilment.

Retail revenue by territory [5]	**2019** **£m**	2018 £m	Change
UK and Republic of Ireland	**263.4**	283.2	(7.0%)
Europe	**208.1**	207.1	0.5%
Rest of World and other	**65.2**	58.3	11.8%
Total Retail revenue	**536.7**	548.6	(2.2%)

Notes:

5. This release was updated on 30 July 2019, from that published on 12 July 2019, to reflect the split of territory revenue and to make it internally consistent with note 5 in this document. There is no change to the total channel revenue because of this.

Our Wholesale division

Our Wholesale division includes multi-brand independents and distributors, franchise and license stores in secondary catchments and developing markets and physical and online department stores as routes to market. Wholesale revenue of £335.0m was up 3.6% year on year (2018: £323.4m), driven by our franchise stores and local independents retailers.

Performance in our Key Accounts (major/multiple retailers) was flat year on year, with growth in the US and Europe offsetting declines in the UK. At the end of the year the Group had Wholesale operations in 69 countries including 464 (2018: 394) Superdry branded licensed stores 22 (2018: 18).

Wholesale revenue by territory [6]	**2019** **£m**	2018 £m	Change
UK and Republic of Ireland	**38.8**	42.1	(7.8)%
Europe	**222.5**	211.4	5.3%
Rest of World and other	**73.7**	69.9	5.4%
Total Wholesale revenue	**335.0**	323.4	3.6%

Notes:

6. This release was updated on 30 July 2019, from that published on 12 July 2019, to reflect the split of territory revenue and to make it internally consistent with note 5 in this document. There is no change to the total channel revenue because of this.

Gross Margin

The reduction in Group gross margin by 250bps to 55.6% (2018: 58.1%) predominantly reflects increased discounting in the retail channel undertaken in response to challenging conditions in the retail environment, together with the impact of the comparative growth in our relatively lower margin Wholesale operation. Gross

margin benefitted from a 50bps foreign exchange tailwind year on year, driven by the timing of USD denominated purchases for the Spring/Summer 2018 season.

Gross Margin by channel	**2019**	2018	Change
Retail	63.7%	66.8%	(3.1)%pts
Wholesale	42.5%	43.2%	(0.7)%pts
Total Gross Margin	**55.6%**	**58.1%**	**(2.5)%pts**

Operating Costs

Underlying selling, general and administrative expenses of £447.0m (2018: £418.5m) include the sales and distribution costs for the Retail and Wholesale channels of £372.4m (2018: £346.4m) and Central costs of £74.6m (2018: £72.1m).

Sales and distribution costs (which include costs associated with operating stores, depreciation and transporting products) totalled £372.4m (2018: £346.4m), an increase of 7.5%. Growth in these costs compares to flat revenues, and are primarily driven by continued investment in our logistics capabilities, and the annualisation of our prior year store opening programme, together with the impact of foreign exchange movements.

Underlying Central costs (which include the costs of operating our global operations teams, support functions and related depreciation) were £74.6m (2018: £72.1m), an increase of 3.5%. Growth in these costs reflects continued investment in key category and design teams and the depreciation and licence costs from ongoing investments in more scalable and functional IT applications, together with the impact of realised losses on foreign exchange movements. This was partially offset by lower variable pay costs.

Underlying other gains and losses (which include royalty income and other income) were £10.8m (2018: £12.3m), a decrease of 12.2%. This is partly the result of a reduction in compensation received from brand protection activities, and also reflects that the income recognised from gift vouchers breakage has reduced following the adoption of IFRS 15 (see note 4 for further details).

Net finance costs of £1.0m (2018: £0.3m) relate to the increased usage of our overdraft facility year on year, as well as arrangement fees relating to the Revolving Credit Facility, agreed in January 2019. The net underlying share of loss of our China joint venture of £3.7m (2018: £3.0m) is the result of the broader trading challenges seen across the business.

In addition to the items above, the operating loss before tax is after charging net exceptional and other charges of £116.3m (2018: £31.7m).

Underlying Profit Before Tax

	Underlying 2019 £m	Underlying 2018 £m
Revenue:		
Retail	**536.7**	548.6
Wholesale	**335.0**	323.4
Group revenue	**871.7**	872.0
Underlying operating profit:		
Retail	**27.1**	66.3
Wholesale	**95.6**	106.1
Central costs	**(74.6)**	(72.1)
Underlying total operating profit/(loss)	**48.1**	100.3
Underlying operating margin	**5.5%**	11.5%
Net finance income – Central costs	**(1.0)**	(0.3)
Impairment losses on financial assets – Wholesale and Central costs	**(1.5)**	-
Share of joint venture – Central costs	**(3.7)**	(3.0)
Total profit/(loss) before tax	**41.9**	97.0

Underlying profit before tax (as defined in note 24) for the 52-week trading period was £41.9m, (2018: £97.0m) 56.8% below the prior year.

Group underlying operating margin declined by 600bps on last year to 5.5% (2018: 11.5%). Declines were driven predominantly by the deleveraging effect of negative LFL performance in the owned store estate, with the retail channel driving 450bps of the Group margin dilution. Wholesale accounted for the remainder of the decline, as a consequence of distribution costs growing ahead of revenue, leading to a 140bps drag. Central costs increasing ahead of revenues drove an additional 100bps of the decline. Foreign exchange impacts were relatively benign at an operating margin level, with purchasing benefits in cost of sales offset by the impact of realised losses on foreign exchange movements.

	2019 £m	Group 2018 £m
Underlying profit before tax	**41.9**	97.0
Exceptional and other items		
Unrealised gain/(loss) on financial derivatives	**23.9**	(20.8)
Store asset impairment and onerous lease provision	**(129.5)**	(7.2)
Restructuring, strategic change and other impairment costs	**(8.1)**	-
Buy-out of Netherlands agent	**-**	(1.6)
IFRS 2 charge on Founder Share Plan	**(2.6)**	(2.1)
Total exceptional and other items in operating profit	**(116.3)**	(31.7)
Impairment of losses on financial assets	**(8.5)**	-
Share of joint venture exceptional costs	**(2.5)**	-
Total exceptional and other items before tax	**(127.3)**	(31.7)
Reported (loss)/profit before tax	**(85.4)**	65.3

Exceptional and other items in the period totalled a charge of £127.3m in the year (2018: £31.7m charge).

At our Interims in December we announced a review of our owned store portfolio to address both the structural challenges we are seeing in terms of channel shift and also to drive future profitable growth. As a result of this review, and reflecting revised cautious future projections, unprofitable stores have been identified. Accordingly a non-cash net impairment and onerous lease charge has been made of £129.5 million (FY2018: £7.2 million), affecting 114 stores.

The worst performing 10 stores represent around 40% of the net impairment charge and around 50% of the onerous lease charge. The onerous lease charge represents around 20% of the future operating lease commitments, as disclosed in Note 30.

Following the change in management on 2 April there is a renewed focus on stores as an opportunity for profitable growth, both through trading improvement and the renegotiation of rents. Consequently, a store-by-store review is underway to ensure that potentially profitable space is not reduced prematurely. As such, we do not expect a significant number of closures in FY2020.

Onerous lease provision utilisation and reduced depreciation as a result of the impairment charge will unwind over the remaining life of the impacted leases, with the benefit to underlying profit before tax peaking in FY2020, and diminishing as these leases expire or are exited. In line with the relative profitability over the course of the financial year, the utilisation of the onerous lease provision is lower in the second half of the year, driven by the relative profitability in the store over the peak trading period.

The trigger date for this impairment review was 27 January 2019, following our peak trading period, and consequently the exceptional charge is deemed to occur at the end of the third quarter in FY2019. Consequently, the unwind of the impairment and utilisation of the onerous provision over the fourth quarter benefits underlying profit before tax for FY2019 by £11.1m.

The table below shows the profile of this benefit through FY2023:

£m	Q4 19 £m	*H1 20 £m*	*H2 20 £m*	FY20 £m	FY21 £m	FY22 £m	FY23 £m
Reduced depreciation from store impairment unwind	2.6	*4.6*	*4.5*	**9.1**	8.8	7.3	5.5
Onerous lease provision utilisation*	8.5	*10.5*	*7.0*	**17.5**	16.0	12.3	11.0
Net benefit to underlying profit before tax	11.1	*15.1*	*11.5*	**26.6**	24.8	19.6	16.5

*Onerous lease utilisation in FY19 per the financial statements is £9.3m. The additional £0.8m relates to utilisation of onerous lease provisions made in previous financial years

IFRS16 'Leases' replaces the current lease accounting requirements and becomes effective for the year ending 26 April 2020. The adoption of this accounting standard will impact operating profit in future periods. It will also have an impact on the accounting for the onerous lease provision in the Balance Sheet at 27 April 2019. There is no cash impact. Further information about this accounting standard and its impact on the Group is provided in note 3.

Exceptional items also include £8.1m in relation to costs of restructuring and change in strategy, plus other impairment charges predominantly in relation to the China joint venture.

Other items in the year include a £23.9m credit in respect of the fair value movement in financial derivatives (2018: £20.8m charge) which has been driven primarily by the devaluation of Sterling against the Euro and US Dollar, and its impact on forward currency contracts, selling Euro for Sterling or buying US Dollar with Sterling. The IFRS 2 charge of £2.6m in respect of the Founder Share Plan is also included within other items (see note 17 for further details).

The determination of exceptional items and other items is further explained in note 24.

Given the continuing joint venture losses and significantly lowered operating projections in the market, we have written down the value of our investment in China in full. This results in a further £2.5m exceptional cost, relating to an onerous lease provision and store impairment, as well as the write off of deferred tax assets.

In addition, the loan balance of £8.5m has been fully impaired under IFRS 9 to reflect the uncertainty of the timeline for repayment of the existing loans due from the joint venture.

The determination of the value of joint venture investments is further explained in note 20.

Taxation in the period

Our tax expense on underlying profit of £12.7m (2018: £20.7m) represents an underlying effective tax rate of 29.1% (2018: 21.3%).

This is higher than the UK statutory rate of 19.0% (2018: 19.0%) to the level of the overseas losses in relation to which not tax benefit is recognised, paying more tax in high tax jurisdictions such as Belgium, depreciation and amortisation on non-qualifying assets and the non-deductibility of the joint venture loss in the period. The applicable UK. In the medium term we anticipate that the substantial majority of the Group's earnings will be taxed in the UK.

(Loss) / profit for the period

After exceptional and other items, Group loss after tax for the year was £98.5m, compared to a profit of £50.7m in 2018.

Earnings/loss per share

Reflecting the decreased profit achieved by the Group during the year, underlying basic EPS is 36.3p (2018: 93.6p), a decrease of (61.2)%.

The underlying performance of the business, offset by the exceptional and other items outlined above, results in a reported basic EPS of (120.3)p (2018: 62.2p) based on a basic weighted average of 81,870,875 shares (2018: 81,510,921 shares). The increase in the basic weighted average number of shares is predominantly due to 215,428 5p ordinary shares being issued during the year in accordance with the vesting of certain tranches of the Performance Share Plan.

Underlying diluted EPS is 36.2p (2018: 93.1p) and diluted EPS is (120.0)p (2018: 61.9p). These are based on a diluted weighted average of 82,068,659 (2018: 81,956,045) shares.

Dividends

An interim dividend of 9.3p per share was paid on 25 January 2019. In line with the revised dividend policy the Board has recommended a final ordinary dividend of 2.2p per share, taking the full-year ordinary dividend to 11.5p per share.

If approved, the final ordinary dividend will represent a cash outflow of approximately £1.8m and will be paid on 20 September 2019 to all shareholders on the register at the close of business on 19 July 2019. The total ordinary dividend represents an earnings cover consistent with the dividend policy.

Cash flow, balance sheet and investments

Superdry remains a strongly cash-generative, with operating cash generated before working capital movements of £78.5m (2018: £135.2m) and retained net cash balances of £35.9m (2018: £75.8m) at the end of the year after funding continued investment across our business.

During the year, the Group increased its uncommitted bank facility from £20m to £40m. This reduced back to £20m in the second half of the year. The maximum drawdown on this facility in the period was £26m, and it was undrawn at year end. In recognition of the continued growth of the Group's Wholesale operation and changes to inventory flows reflecting the increasingly global nature of the brand, and in planning for the longer term, the Group signed a 3 year revolving credit facility in January 2019 to accommodate peak working capital requirements. The maximum drawdown on this facility in the period was £22m and it was undrawn at year end.

£m	**2019 £m**	2018 £m
Operating cash flow before movements in working capital	**78.5**	135.2
Working capital movement	**(23.9)**	(30.9)
Net interest	**(1.0)**	(0.3)
Taxes	**(15.9)**	(23.9)
Net cash generated from operations	**37.7**	80.1
Investments	**-**	(3.2)
Long-term loan to joint venture	**(5.0)**	(3.3)
PPE and intangible assets	**(24.4)**	(55.7)
Cash received from disposal of financial assets	**-**	2.2
Dividends	**(46.0)**	(24.0)
Other (including foreign currency movement)	**(2.2)**	14.3
Net (decrease)/increase in cash	**(39.9)**	10.4
Cash and cash equivalents at end of period	**35.9**	75.8

Net cash generated from operations of £37.7m has decreased versus the prior year (2018: £80.1m), mainly as a result of the reduction in profit before tax.

Working capital was an outflow of £23.9m, including an increase in inventories of £25.5m and a net reduction in trade and other debtors of £9.4m. Trade and other payables were an outflow of £7.8m.

Cash investment in property, plant and equipment and intangible assets totalled £24.4m (2018: £55.7m). During the year, £14.6m (2018: £46.6m) of capital additions were made, of which £7.0m (2018: £30.4m) related to leasehold improvements across the Group. The remaining balance of capital additions includes furniture, fixtures and fittings (£4.2m) and computer equipment (£3.3m). Capital expenditure has reduced significantly in the year as a result of reduced investment in the store portfolio given the current economic climate and a similar level of investment in infrastructure.

As at 27 April 2019, the net book value of property, plant and equipment was £74.1m (2018: £130.2m).
Intangible assets, comprising goodwill, lease premiums, distribution agreements, trademarks, the website and computer software, stood at £51.5m at the year-end (2018: £57.8m). Additions in the year were £9.2m (2018: £11.1m), comprising mainly website and software additions.

Due to the challenging trading conditions and higher level of working capital currently held, net cash generated from operations reduced to £54.6m (2018: 104.3m). As a result, we have actively reduced capital expenditure in the year, with capital investment totalling £24.4m (2018: £55.7m). When combined with dividend payments of £46.0m (2018: 24.0m), an increase of £21.9m year on year mainly as a result of a Special Dividend paid in December 2018, this has resulted in a year end cash balance of £35.9m, down £39.9m year on year.

Working capital

Current assets		**2019 £m**	2018 £m	Change
Working capital	Inventories	**190.8**	162.3	17.6%
	Trade and other receivables	**122.4**	140.0	(12.6)%
	Trade and other payables	**(127.3)**	(119.7)	6.4%
Total working capital		**185.9**	182.6	1.8%

Inventories, trade and other receivables and trade and other payables increased 1.8% during the year to £185.9m (2018: £182.6m) and as a proportion of Group revenue was 21.3% (2018: 20.9%).

Inventory levels increased by 17.6% at a total level to £190.8m (2018: £162.3m), a direct consequence of the challenging trading conditions already highlighted. In addition to the ongoing stock provisioning policy, an additional £2.5m of stock write-downs were made relating to excess stock held in our North American distribution centres, reflecting the more cautious operating forecasts in this market. This additional and specific write down is equivalent to 1.3% of our inventory held at year end.

Total and other receivables decreased by 12.6% to £122.4m (2018: £140.0m), with trade receivables (+2.8%) growing more slowly than Wholesale revenue (+3.6%), and the decrease in other receivables driven by lower prepayments year on year.

Total payables increased by 6.4% to £127.3m (2018: £119.7m) due to the timing of payments around the period end.

Outlook

Global retail markets are expected to remain highly competitive and the consumer outlook continues to be uncertain, including the continued uncertainty of the impact of Brexit. Given the scale of the trading downturn in FY19 and the lead times required to rectify the product range and proposition, management view FY20 as a year of reset, both operationally and financially, creating a platform from which Superdry can return to long term profit growth.

We expect our financial performance this year to reflect market conditions and the historic issues inherited. Despite early, albeit small positive results from new initiatives across the Retail channel, we expect Group revenue to show a slight decline in FY20, particularly in the first half, as we rebalance promotional activity and strengthen the brand. The stronger full price trading stance in Retail will support gross margin rate gains, partially offset by the dilutive impact of channel mix towards Wholesale.

Overheads and central costs are expected to reduce slightly year on year, with savings from store costs and central efficiencies partially offset by investments required in focus areas such as marketing. Within these expectations we will keep a tight control on cash, investing to support profitable growth whilst rebuilding cash resources.

Our future reported financial performance will also include the positive impact of the onerous lease and impairment unwind.

Assessment of the Group's Prospects

The Directors have made appropriate enquires and consider that the Group has adequate resources to continue in operational existence for the foreseeable future, which comprise the period of at least 12 months from the date of approval of the financial statements. In addition, in accordance with provision C.2.2 of the 2016 Corporate Governance code, the Directors have assessed the prospects and viability of the company and its ability to meet liabilities as they fall due over the medium term.

Background

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

A review of the business performance is set out in the financial review. Like for like store sales have declined in the year by 9.6% and wholesale and ecommerce sales growth have also decelerated year on year (to 3.6% and 1.6% respectively). Underlying profit before tax has fallen from £97.0m in the prior year to £41.9m. An exceptional charge of £127.3m (2018: 31.7m) has been recognised in the year primarily relating to store impairment and onerous lease charges, costs incurred as a result of strategic changes implemented by the new management team post the EGM on 2 April and announced restructuring initiatives at Head Office. Despite this the Group remains profitable on an underlying basis, and cash generative. The year-end cash balance is £35.9m (2018: £75.8m).

The Group had a committed Revolving Credit Facility (RCF) of £70m available until January 2022, beyond which it may be extended at the discretion of the lender for a further two years. This facility was not drawn-down at the year-end but was partially utilised during the year, reflecting the seasonality of cash flows during the Group's annual trading cycle. In addition, the Group has an overdraft facility of £20m available on a rolling annual basis, albeit as this is not committed, it has not been considered by management as part of the going concern and viability assessment. The covenants in the facility are tested bi-annually and are based around the Group's leverage and fixed charge (rent and interest) cover. The covenants are tested on a 'frozen GAAP' basis and hence the adoption of IFRS 16 will not impact them.

The interim CEO's strategy for the Group is described within the annual report. This strategy has been used to develop a medium term financial plan, which has been used for the basis of management's going concern and viability conclusions. The Plan, which is in its early stages of implementation, assumes the Group halts the continued decline in performance in FY20. In the medium term, the plan then assumes the return to strong revenue growth, the restoring of double-digit EBIT margins and the rebuilding of profitability over a three-year time frame.

The medium term financial plan referred to above has been sensitised for severe but plausible variations in trading performance. The sensitivities reflect the recent decline in performance, the continued challenging economic conditions and uncertainty regarding the future success of the new strategy. This assessment is linked to a robust assessment of the principal risks facing the Group. The principal risks are outlined in note 19.

The downside scenario assumes the following. The assumed rate of sales decline in FY20 is worse than that experienced by Superdry over the last year:

- A 10% decrease in store like-for-like sales in FY20 compared to FY19. In FY21, a further decline in like-for-like sales of 5%
- A 5% decrease in Ecommerce sales in FY20 compared to FY19. In FY21, an increase in sales of 5%
- A 5% decrease in Wholesale sales in FY20 compared to FY19. In FY21, an increase in sales of 5%
- Sales growth for FY22 and FY23 across all channels is then forecast to be approximately 50% less than the growth assumed in management's medium term plan.

In addition, the possible impact of a 'hard Brexit' has been estimated and modelled. This assumes an adverse impact on UK gross margin rate to reflect possible FX volatility and duty increases. In modelling a severe but plausible scenario over the four-year assessment period, these downside scenarios have been modelled in combination.

The severe but plausible downside trading scenario has a significant impact on the financial position of the Group in future years. However, the Directors have considered mitigating actions that could be reasonably implemented, together with the availability of the RCF until at least January 2022. The mitigating actions considered by management are a reduction in uncommitted capital expenditure, suspension of the dividend, and a lower buy of new season stock in line with the lower sales values.

Going concern

After considering the forecasts, sensitivities and mitigating actions available to management, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, and operate within its borrowing facilities and covenants for a period of at least 12 months from the date of signing the financial statements. Accordingly, the financial statements continue to be prepared on the going concern basis.

Viability

As explained above, in order to comply with Section 2.2 of the Corporate Governance Code, the Directors have assessed the prospects of the Group over a longer period than the 12 months required by the 'going concern' provision. The Directors have assessed the viability of the Group over the four-year period through to FY23, which coincides with the Group's strategic review period and is consistent with the medium term financial plan. Furthermore, beyond this period, performance is impacted by both UK and International economic conditions which become increasingly difficult to predict.

This assessment has considered the potential impact of the principal risks on the business in particular future performance and liquidity over the period. In making this statement, the Directors have considered the resilience of the Group under varying market conditions together with the effectiveness of any mitigating actions.

As already described in the statement on going concern, as part of this assessment the Directors have considered a severe but plausible trading scenario and the impact of a 'hard Brexit', and have taken account of the availability of the Group's RCF.

Whilst recognising the challenging retail environment will increase the risks and costs around the future refinancing of this facility, based on current market conditions the Directors believe that Superdry has the appropriate plans and mitigations in place to maximise the prospects of a successful renewal in advance of the January 2022 expiry.

The stress testing indicated that, after taking account of the mitigating actions, the Group is able to operate within its funding facilities and covenants for the four-year assessment period.

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

Group statement of comprehensive income for the 52 weeks ending 27 April 2019

	Note	**Underlying* 2019 £m**	**Exceptional and other items (note 6) £m**	**Total 2019 £m**	Underlying* 2018 £m	Exceptional and other items (note 6) £m	Total 2018 £m
Revenue	5	**871.7**	–	**871.7**	872.0	–	872.0
Cost of sales		**(387.4)**	–	**(387.4)**	(365.5)	–	(365.5)
Gross profit		**484.3**	–	**484.3**	506.5	–	506.5
Selling, general and administrative expenses		**(447.0)**	**(140.2)**	**(587.2)**	(418.5)	(10.9)	(429.4)
Other gains and losses (net)		**10.8**	**23.9**	**34.7**	12.3	(20.8)	(8.5)

Operating profit	5	**48.1**	**(116.3)**	**(68.2)**	100.3	(31.7)	68.6
Finance income		**0.3**	–	**0.3**	–	–	–
Finance expense		**(1.3)**	–	**(1.3)**	(0.3)	–	(0.3)
Impairment losses on financial assets		**(1.5)**	**(8.5)**	**(10.0)**	–	–	–
Share of loss of joint venture	7	**(3.7)**	**(2.5)**	**(6.2)**	(3.0)	–	(3.0)
Profit before tax	5	**41.9**	**(127.3)**	**(85.4)**	97.0	(31.7)	65.3
Tax expense	8	**(12.2)**	**(0.9)**	**(13.1)**	(20.7)	6.1	(14.6)
Profit/(loss) for the period		**29.7**	**(128.2)**	**(98.5)**	76.3	(25.6)	50.7
Attributable to:							
Owners of the Company		**29.7**	**(128.2)**	**(98.5)**	76.3	(25.6)	50.7
Other comprehensive income/(expense) net of tax:							
Items that may be subsequently reclassified to profit or loss							
Currency translation differences		**(1.4)**	–	**(1.4)**	2.6	–	2.6
Total comprehensive income/(expense) for the period		**28.3**	**(128.2)**	**(99.9)**	78.9	(25.6)	53.3
Attributable to:							
Owners of the Company		**28.3**	**(128.2)**	**(99.9)**	78.9	(25.6)	53.3
		pence per share		**pence per share**	pence per share		pence per share
Earnings per share:							
Basic	10	36.3		(120.3)	93.6		62.2
Diluted	10	36.2		(120.0)	93.1		61.9

* Underlying is defined in note 24.

2019 is for the 52 weeks ended 27 April 2019 and 2018 is for the 52 weeks ended 28 April 2018.

Group Balance Sheet as at 27 April 2019

	Note	**27 April 2019 £m**	28 April 2018 £m
ASSETS			
Non-current assets			
Property, plant and equipment	12	**74.1**	130.2
Intangible assets	13	**51.5**	57.8
Investment in joint venture		**–**	6.2
Long term loan to joint venture		**–**	3.3
Deferred tax assets	8	**32.8**	38.8
Derivative financial instruments		**1.3**	–
Total non-current assets		**159.7**	236.3
Current assets			
Inventories		**190.8**	162.3
Trade and other receivables		**122.4**	140.0
Derivative financial instruments		**0.4**	–
Assets classified as held for sale		**2.4**	–
Cash and cash equivalents		**35.9**	75.8
Total current assets		**351.9**	378.1
LIABILITIES			
Current liabilities			
Trade and other payables		**127.3**	119.7
Provisions for other liabilities and charges		**18.1**	–

Current tax liabilities		**0.4**	9.8
Derivative financial instruments		**1.4**	18.5
Total current liabilities		**147.2**	148.0
Net current assets		**204.7**	230.1
Non-current liabilities			
Trade and other payables		**39.3**	44.6
Provisions for other liabilities and charges		**61.6**	5.3
Deferred tax liabilities	8	**0.8**	0.9
Derivative financial instruments		**2.0**	7.1
Total non-current liabilities		**103.7**	57.9
Net assets		**260.7**	408.5
EQUITY			
Share capital		**4.1**	4.1
Share premium		**149.1**	149.0
Translation reserve		**(3.0)**	(1.6)
Merger reserve		**(302.5)**	(302.5)
Retained earnings		**413.0**	559.5
Total equity		**260.7**	408.5

Group cash flow statement for the 52 weeks ending 27 April 2019

	Note	**2019** **£m**	2018 £m
Cash generated from operating activities	9	**54.6**	104.3
Interest (paid)/received		**(1.0)**	(0.3)
Tax (paid)/received		**(15.9)**	(23.9)
Net cash generated from operating activities		**37.7**	80.1
Cash flow from investing activities			
Investment in joint ventures	7	-	(3.2)
Long term loan to joint venture		**(5.0)**	(3.3)
Purchase of property, plant and equipment		**(15.7)**	(44.6)
Purchase of intangible assets		**(8.7)**	(11.1)
Cash received from disposal of financial assets		**-**	2.2
Net cash used in investing activities		**(29.4)**	(60.0)
Cash flow from financing activities			
Dividend payments	11	**(46.0)**	(24.0)
Proceeds of issue of share capital		**0.1**	0.6
Net cash (used in)/generated from financing activities		**(45.9)**	(23.4)
Net (decrease)/increase in cash and cash equivalents		**(37.6)**	(3.3)
Cash and cash equivalents at beginning of period		**75.8**	65.4
Exchange gains on cash and cash equivalents		**(2.3)**	13.7
Cash and cash equivalents at end of period		**35.9**	75.8

Statements of changes in equity for the 52 weeks ending 27 April 2019

Group	Note	Share capital £m	Share premium £m	Translation reserve £m	Merger reserve £m	Retained earnings £m	Total equity £m
Balance at 29 April 2017		**4.1**	**148.4**	**(4.2)**	**(302.5)**	**526.6**	**372.4**
Comprehensive income							
Profit for the period		–	–	–	–	50.7	50.7
Other comprehensive income							
Currency translation differences		–	–	2.6	–	–	2.6
Total other comprehensive income		**–**	**–**	**2.6**	**–**	**–**	**2.6**
Total comprehensive income for the period		**–**	**–**	**2.6**	**–**	**50.7**	**53.3**
Transactions with owners							
Employee share award schemes	15,16	–	–	–	–	6.1	6.1
Shares issued		–	0.6	–	–	–	0.6
Deferred tax - employee share award scheme		–	–	–	–	0.1	0.1
Dividend payments	10	–	–	–	–	(24.0)	(24.0)
Total transactions with owners		**–**	**0.6**	**–**	**–**	**(17.8)**	**(17.2)**
Balance at 28 April 2018		**4.1**	**149.0**	**(1.6)**	**(302.5)**	**559.5**	**408.5**
Effect of change in accounting policy for IFRS 9 and 15		–	–	–	–	(5.5)	(5.5)
Balance at 28 April 2018 – as restated		**4.1**	**149.0**	**(1.6)**	**(302.5)**	**554.0**	**403.0**
Comprehensive income							
(Loss)/profit for the period		–	–	–	–	(98.5)	(98.5)
Other comprehensive income							
Currency translation differences		–	–	(1.4)	–	–	(1.4)
Total other comprehensive income		**–**	**–**	**(1.4)**	**–**	**–**	**(1.4)**
Total comprehensive income for the period		**–**	**–**	**(1.4)**	**–**	**(98.5)**	**(99.9)**
Transactions with owners							
Employee share award schemes	15,16	–	–	–	–	3.5	3.5
Shares issued		–	0.1	–	–	–	0.1
Deferred tax - employee share award scheme		–	–	–	–	–	–
Dividend payments	10	–	–	–	–	(46.0)	(46.0)
Total transactions with owners		**–**	**0.1**	**–**	**–**	**(42.5)**	**(42.4)**
Balance at 27 April 2019		**4.1**	**149.1**	**(3.0)**	**(302.5)**	**413.0**	**260.7**

Selected Notes to the Group and Company 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 August 2019.

The financial information included in this preliminary announcement does not constitute the Group's statutory accounts for the years ended 27 April 2019 or 28 April 2018, but is derived from those accounts. Statutory accounts for financial year 2018 have been delivered to the registrar of companies, and those for financial year 2019 will be delivered in due course. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498(2) or (3) of the Companies Act 2006.

2. Significant accounting policies

The accounting policies adopted are consistent with those applied by the Group in the Annual Report for the year ended 27 April 2019.

3. Critical accounting estimates and judgements in applying accounting policies

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

Critical accounting estimates and assumptions

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

a) Store impairments and onerous lease provisions

Retail store assets (as with other financial and non-financial assets) are subject to impairment based on whether current or future events and circumstances suggest that their recoverable amount may be less than their carrying value. Recoverable amount is based on the higher of the value in use and fair value less costs to dispose, although as all of the Group's retail owned stores are leasehold, only value in use has been considered in the impairment assessment. Value in use is calculated from expected future cash flows using suitable discount rates and including management assumptions and estimates of future performance. Store asset carrying values are considered net of the carrying value of any landlord cash contributions received in relation to each store. An impairment of £42.6m (2018: £5.3m) was recognised in the period.

For impairment testing purposes, the Group has determined that each store is a cash generating unit ("CGU"). Each CGU is tested for impairment if any indicators of impairment have been identified. Given the decline in store like for like sales in the year, all 248 owned stores have been tested for impairment in the current year.

Store asset carrying values are considered net of the carrying value of any cash contribution received in relation to that store.

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

Management estimates discount rates using pre tax rates that reflect the current market assessment of the time value of money and the risks specific to the CGUs. The discount rates are derived from the Group's post-tax WACC and range from 6.3% to 9.6%. Pre-tax discount rates range from 9.2% to 15.5%.

The key estimates for the value in use calculations are those regarding discount rates and expected changes to future cash flows used in the value in use calculation.

The key assumptions used in determining store cash flows are the growth rates in both sales and gross profit margins as set out in the medium term financial plan. The medium term financial plan reflects the interim CEO's strategy. Specifically, the Plan, which is in its early stages of implementation, assumes the Group halts the continued decline in performance in the financial year 2020. In the medium term, the plan then assumes the return to strong revenue growth, the restoring of double-digit EBIT margins and the rebuilding of profitability over a three-year time frame. Further significant costs (or credits) may be recorded in future years dependent on the success of the new strategy and the turnaround of the business.

During the year, the Group has recognised an impairment charge of £36.5m relating to property, plant and equipment and an impairment charge of £6.1m relating to intangible assets. These impairment charges have been recognised within exceptional items within selling, general and administrative expenses.

The value of impaired assets, net of remaining capital contributions is £4.6m.

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

−− An increase of 50bps in the gross margin rate for each territory would decrease impairment by £0.3m

−− A decrease of 50bps in the gross margin rate for each territory would increase impairment by £0.3m

−− An increase of 1% in the discount rate for each territory would increase impairment by £0.2m

−− A decrease of 1% in the discount rate for each territory would decrease impairment by £0.1m

−− An increase of 1% in year 1 sales growth for each territory would decrease impairment by £0.2m

−− A decrease of 1% in year 1 sales growth for each territory would increase impairment by £0.5m

In addition, the Group has considered a range of reasonably possible outcomes within the Plan period. The scenario modelled is consistent with the sensitivities applied for the viability assessment. This would increase the impairment charge by £1.7m.

b) Onerous lease provisions

Management has also assessed whether impaired and unprofitable stores require an onerous lease provision. An onerous lease provision has been recognised when the Group believes that the unavoidable costs of meeting or exiting the lease obligations exceed the benefits expected to be received under the lease.

The calculation of the net present value of future cash flows is based on the same assumptions for growth rates and expected changes to future cash flows as set out above, discounted at the appropriate risk adjusted rate. The cost of exiting lease 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. Other than for the Berlin Kranzler store, for which an onerous lease provision was recognised in the prior year of £2.2m, no sublet income has been assumed.

Based on the factors set out above, the Group has recognised an onerous lease provision charge in the year of £86.9m (2018: £2.2m). The onerous lease charge has been recognised within exceptional items within selling, general and administrative expenses. Further significant costs (or credits) may be recorded in future years dependent on the success of the new strategy and turnaround of the business.

The Group has performed sensitivity analysis on the onerous lease provisions using reasonably possible scenarios based on recent market movements, consistent with those sensitivities disclosed above
in the 'store impairment' section:
−− An increase of 50bps in the margin rate for each territory would decrease the onerous lease charge by £2.8m
−− A decrease of 50bps in the margin rate for each territory would increase the onerous lease charge by £2.4m
−− An increase of 1% in the risk free rate for each territory would decrease the onerous lease charge by £3.3m
−− A decrease of 1% in the risk free rate for each territory would increase the onerous lease charge by £3.5m
−− An increase of 1% in year 1 sales growth for each territory would decrease the onerous lease charge by 4.6m
−− A decrease of 1% in year 1 sales growth for each territory would increase the onerous lease charge by £4.1m

The downside scenario modelled in the viability assessment, would increase the onerous lease charge by £27.1m.

c) Recognition of deferred tax assets

The future prospects of the US onshore business are based on estimates over a four year time frame in line with the Board approved Group financial plan. The performance of the US business deteriorated in the year and the revised forecasts have been updated to reflect a less optimistic outlook. The business continues to be loss making. There is increased uncertainty regarding the future utilisation of the deferred tax asset and it has therefore been derecognised. The Directors consider this to be an "exceptional and other" cost due to the size and "one-off" nature of the adjustment.

Critical judgements in applying the Group's accounting policies

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

a) Attributing Ecommerce sales and costs to stores

Judgement is required as to whether Ecommerce sales (and associated costs) could be attributed to stores for the purposes of impairment testing when calculating the value in use of each store CGU. While management believes that a proportion of Ecommerce sales could be attributed to stores, the basis of such attribution was difficult to determine, due to insufficient evidence to reliably estimate. For this reason, only iKiosk and Click & Collect Ecommerce sales have been deemed directly attributable to a store within the individual store CGU value in use calculations.

Attributing 10% of unallocated ecommerce sales and the related costs, would decrease the impairment and onerous lease charge by £1.5m and £7.7m respectively.

b) Long term loans receivable

Judgement is required as to whether the long term loans receivable balance due from Trendy & Superdry Holdings Limited is recoverable. In making this assessment, management has considered the lifetime expected credit losses under IFRS 9. Given the historical trading performance, asset impairment and onerous leases charges recorded by the company in the year and uncertainty regarding future profitability, the long term loan balance of £8.5m has been fully impaired. The impairment loss has been recognised within exceptional items within impairment losses on financial assets.

b) Exceptional and other items

Judgements are required as to whether items are disclosed as exceptional and other items, with consideration given to both quantitative and qualitative factors. Further information about the determination of exceptional and other items in financial year 2019 is included in note 24.

4. New accounting pronouncements

a) IFRS 9 'Financial Instruments'

IFRS 9 supersedes IAS 39 'Financial instruments: recognition and measurement' and covers the accounting for financial instruments. The Group has adopted IFRS 9 retrospectively by adjusting opening reserves. The impact of IFRS 9 on retained earnings is £2.6m. The new standard introduces three key changes:

- a principles-based approach to the classification and measurement of financial instruments;
- an impairment model based on expected credit losses; and
- changes to hedge accounting

The Group does not currently undertake hedge accounting, as such there has been no impact in this regard.

i) Impairment model based on expected credit losses

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss approach. Under IFRS 9, a financial asset is credit-impaired when one or more of the following events have occurred, which have a significant impact on the expected future cash flows of the financial asset:

- significant financial difficulty;
- a breach of contract, such as a default or past-due event;
- a concession was granted due to economic or contractual reasons relating to financial difficulty that would not otherwise be considered;
- probable bankruptcy;
- the disappearance of an active market; and
- the original debt was at a deep discount reflecting incurred credit losses.

The main impact of this change in approach on the Group is in relation to trade receivables from wholesale customers. As at 28 April 2018, an additional £3.2m (£2.6m after tax) of impairment losses on trade receivables would have been recognised as a result of applying this change in approach. The table below shows the impact of these changes to the brought forward balance sheet as at 28 April 2018.

	28 April 2018 Reported £m	Bad debt provision £m	28 April 2018 Restated £m
Non-current assets			

Deferred tax assets	**38.8**	**0.6**	**39.4**
Other non-current assets	**197.5**	**–**	**197.5**
Total non-current assets	**236.3**	**0.6**	**236.9**
Current assets			
Trade and other receivables	**140.0**	**(3.2)**	**136.8**
Other current assets	**238.1**	**–**	**238.1**
Total current assets	**378.1**	**(3.2)**	**374.9**
Net assets	**408.5**	**(2.6)**	**405.9**
Equity			
Retained earnings	**559.5**	**(2.6)**	**556.9**
Other equity	**(151.0)**	**–**	**(151.0)**
Total equity	**408.5**	**(2.6)**	**405.9**

b) IFRS 15 'Revenue from contracts with customers'

IFRS 15 supersedes IAS 11 "Construction contracts", IAS 18 "Revenue" and related interpretations and it applies to all revenue arising from contracts with customers, except those in the scope of other standards. The new standard provides a principles-based single model for revenue recognition based on when performance obligations are satisfied, using a five-step approach.

The Group has adopted IFRS 15 using the 'modified retrospective method' of adoption. The key considerations along with the impact of adopting IFRS 15 are described below. There is a small impact on retained earnings of £2.9m on adoption of IFRS 15.

i) Sale of goods

The Group's contracts with customers for the sale of products generally include one performance obligation. The Group has concluded that revenue from the sale of product should be recognised at the point in time when control of the asset is transferred to the customer. This is as follows for our different routes to market:

- Own store and concession revenue is recognised at the point of sale of a product; and
- Wholesale and Ecommerce revenue is recognised on either delivery or customer collection.

This represents a minor change in the Group's accounting policy, whereby Wholesale and Ecommerce revenue was previously recognised on either delivery or despatch. This has led to an immaterial £0.2m difference in the timing of revenue recognition in the current year. The impact to reserves from this adjustment is £1.8m.

ii) Gift charge breakage

Gift cards represent a customer's right to receive goods or services (and the entity's performance obligation to transfer or stand ready to transfer, goods or services) in the future. Customers, however, do not always use the gift cards in full (or at all), resulting in breakage.

Under IAS 18, the Group provided for breakage based on historic rates of redemption. A liability was calculated on the total issued face value of the gift voucher at the point the gift voucher was issued and adjusted for this expected rate of redemption.

Under IFRS 15 where an entity expects to be entitled to a breakage amount it recognises the expected breakage amount as revenue (within other income) in proportion to the pattern of rights exercised by the customer. This differs from the historic calculation adopted under IAS 18, in that the breakage should be recognised over the course of the gift card being exercised rather than on issuance. The resulting adjustments on adopting IFRS 15 reduced retained earnings by £1.1m with corresponding adjustments to trade and other payables and deferred tax assets.

iii) Variable consideration

Product sales provide customers with a right of return within a specified period and are therefore deemed to be variable under IFRS 15. Under IFRS 15, the Group uses the expected value method to estimate the value of goods that will be returned because this method best predicts the amount of variable consideration to which the

Group will be entitled. Under the previous standard, IAS 8, expected returns were estimated using a similar approach and therefore no adjustment to the value of variable consideration was required to profit after tax or retained earnings on transition to IFRS 15.

Prior to the adoption of IFRS 15, the amount of revenue relating to expected returns (and corresponding adjustment to Cost of Sales) was deferred and recognised net in the balance sheet within trade and other payables.

Under IFRS 15 the Group has adjusted Inventories to include the value of returned inventory, which forms part of the expected returns provision. The amount of revenue relating to expected returns remains within Trade and other payables.

The table below shows the impact of these changes to the brought forward balance sheet as at 28 April 2018. The financial year 2018 Group statement of comprehensive income was already disclosed with sales and cost of sales appropriately grossed up.

	28 April 2018 Reported £m	Sale of goods £m	Gift card breakage £m	Returns provision adjustment £m	28 April 2018 Restated £m
Non-current assets	**236.3**	**–**	**–**	**–**	**236.3**
Current assets					
Inventories	**162.3**	**2.6**	**–**	**5.2**	**170.1**
Other current assets	**215.8**	**–**	**–**	**–**	**215.8**
Total current assets	**378.1**	**2.6**	**–**	**5.2**	**385.9**
Current liabilities					
Trade and other payables	**119.7**	**–**	**1.1**	**5.2**	**126.0**
Other current liabilities	**28.3**	**4.4**	**–**	**–**	**32.7**
Total current liabilities	**148.0**	**4.4**	**1.1**	**5.2**	**158.7**
Non-current liabilities	**57.9**	**–**	**–**	**–**	**57.9**
Net assets	**408.5**	**(1.8)**	**(1.1)**	**–**	**405.6**
Equity					
Retained earnings	**559.5**	**(1.8)**	**(1.1)**	**–**	**556.6**
Other equity	**(151.0)**	**–**	**–**	**–**	**(151.0)**
Total equity	**408.5**	**(1.8)**	**(1.1)**	**–**	**405.6**

c) Material New standards and interpretations issued but not yet effective

At the balance sheet date there are a number of new standards and amendments to existing standards in issue but not yet effective including IFRS 16 'Leases', which is effective for periods beginning on or after 1 January 2019. The Group has not early adopted any of these new standards or amendments to existing standards.

IFRS 16 'Leases' replaces the current lease accounting requirements including IAS 17 'Leases', and becomes effective for the accounting period ended 26 April 2020. It requires entities to apply a single lease accounting model, with lessees recognising right-of-use assets and lease liabilities on the balance sheet for all applicable leases. In addition, the nature of expenses related to the lease will change because IFRS16 replaces the straight operating lease expense with a depreciation charge for the right-of-use assets and an interest cost relating to the lease liabilities. Whilst the cash flow profiles of store operating lease arrangements will not change, EBITDA profitability (as defined in note 24) will improve significantly as a result. The Group has a large portfolio of leased properties and other equipment, including stores and warehouses. The minimum lease commitment on these at the financial year end is £424.4m.

The Group's IFRS16 project team has made progress in terms of: identifying the leases and contracts that now qualify as leases; collating lease data required to support the impact assessment calculations; determining the appropriate discount rates to use; refining judgements on the treatment of lease options such as break points and renewals; and identifying changes to processes required for reporting under IFRS 16. A further update will be provided with our Interim statements in December 2019.

The Group expects there to be a material adjustment to the value of retained earnings, lease liabilities and right of use assets. An associated finance charge and depreciation charge will replace the existing operating lease charge, and as a result there is expected to be an impact on operating profit in future periods. There is also anticipated to be an impact on classifications within cash flows.

Additionally IFRS 16 will have an impact on the carrying value of the onerous lease provisions that have been recognised in the Balance Sheet at 27 April 2019.

The work to determine the impact assessment of transition to IFRS 16 is anticipated to conclude over the next financial year. As such, it is not currently considered practical to provide an estimate of the financial effect of transition until this has been finalised.

5. Segment information

The Group's operating segments under IFRS 8 have been determined based on the reports reviewed by the Group's Chief Operating Decision-Maker (Executive Committee members: "the CODM"). The CODM assesses the performance of the operating segments based on profit before interest, before inter-segment royalties. The CODM considers the business from a customer perspective only, being Retail and Wholesale. The CODM reviews the balance sheet at a Group level. No separate balance sheet measures are provided between the Retail and Wholesale segments.

The CODM receives information, reviews the performance of the business, allocates resources and approves budgets for two operating segments, and therefore information is disclosed in respect of the following two segments:

- Retail – principal activities comprise the operation of UK, Republic of Ireland, European and US stores, concessions and all internet sites. Revenue is derived from the sale to individual consumers of own brand clothing, footwear and accessories.
- Wholesale – principal activities comprise the ownership of brands, wholesale distribution of own brand products (clothing, footwear and accessories) worldwide and trade sales.

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The Group reports and manages central functions separately to the Retail and Wholesale operations, which includes design, finance, HR, IT, legal, merchandising, property, sourcing and the goodwill and intangibles arising on consolidation.

The revenue from external parties reported to the CODM is measured in a manner consistent with that of the IFRS financial statements.

Inter-segment royalties, transfers or transactions entered into under a cost plus pricing structure are not reflected in the performance of each business segment.

Segmental information for the business segments of the Group for financial years 2019 and 2018 is set out below:

	Retail 2019 £m	Wholesale 2019 £m	Central costs 2019 £m	Group 2019 £m
Total segment revenue	**539.5**	**637.3**	–	**1,176.8**
Less: inter-segment revenue	**(2.8)**	**(302.3)**	–	**(305.1)**
Revenue from external customers	**536.7**	**335.0**	–	**871.7**
(Loss)/profit before tax	**(87.7)**	**101.1**	**(98.8)**	**(85.4)**

The following additional information is considered useful to the reader:

	Underlying* 2019 £m	Exceptional and other items £m	Reported 2019 £m
Revenue			
Retail	**536.7**	–	**536.7**
Wholesale	**335.0**	–	**335.0**
Total revenue	**871.7**	–	**871.7**
Operating profit			
Retail	**27.1**	**(114.8)**	**(87.7)**
Wholesale	**95.6**	**7.0**	**102.6**
Central costs	**(74.6)**	**(8.5)**	**(83.1)**
Total operating profit/(loss)	**48.1**	**(116.3)**	**(68.2)**
Net finance income – Central costs	**(1.0)**	–	**(1.0)**
Impairment losses on financial assets – Wholesale and Central costs	**(1.5)**	**(8.5)**	**(10.0)**
Share of loss of investment – Central costs	**(3.7)**	**(2.5)**	**(6.2)**
Profit/(loss) before tax			
Retail	**27.1**	**(114.8)**	**(87.7)**
Wholesale	**94.1**	**7.0**	**101.1**
Central costs	**(79.3)**	**(19.5)**	**(98.8)**
Total profit/(loss) before tax	**41.9**	**(127.3)**	**(85.4)**

* Underlying is defined as reported results before exceptional items and other items, and is further explained in note 24.

The impairment losses on store asset impairment of £42.6m all relate to the retail segment.

	Retail 2018 £m	Wholesale 2018 £m	Central costs 2018 £m	Group 2018 £m
Total segment revenue	550.9	346.3	–	897.2
Less: inter-segment revenue	(2.3)	(22.9)	–	(25.2)
Revenue from external customers	548.6	323.4	–	872.0
Profit/(loss) before tax	44.0	98.8	(77.5)	65.3

The following additional information is considered useful to the reader:

	Underlying* 2018 £m	Exceptional and other items £m	Reported 2018 £m
Revenue			
Retail	548.6	–	548.6
Wholesale	323.4	–	323.4
Total revenue	872.0	–	872.0
Operating profit			
Retail	66.3	(22.3)	44.0
Wholesale	106.1	(7.3)	98.8
Central costs	(72.1)	(2.1)	(74.2)
Total operating profit/(loss)	100.3	(31.7)	68.6
Net finance expense – Central costs	(0.3)	–	(0.3)
Share of loss of investment – Central costs	(3.0)	–	(3.0)
Profit/(loss) before tax			
Retail	66.3	(22.3)	44.0
Wholesale	106.1	(7.3)	98.8
Central costs	(75.4)	(2.1)	(77.5)
Total profit/(loss) before tax	97.0	(31.7)	65.3

* Underlying is defined as reported results before exceptional items and other items, and is further explained in note 24.

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

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

	2019 £m	Group 2018 £m
External revenue – UK	**302.2**	325.3
External revenue – Europe	**430.6**	418.5
External revenue – Rest of world	**138.9**	128.2
Total external revenue	**871.7**	872.0

Included within external revenue overseas is revenue of £226.7m (2018: £214.7m) generated by overseas subsidiaries. The total of non-current assets, other than deferred tax assets, located in the UK is £56.1m (2018: £86.6m), and the total of non-current assets located in other countries is £70.8m (2018: £110.9m).

6. Exceptional and other items

Non-underlying adjustments constitute exceptional and other items. Further information about the determination of exceptional and other items in financial year 2019 is included in note 24. They are disclosed separately in the Group statement of comprehensive income.

	2019 £m	Group 2018 £m
Exceptional and other items		

Unrealised loss on financial derivatives	**23.9**	(20.8)
Store asset impairment and onerous lease provision	**(129.5)**	(7.2)
Restructuring, strategic change and other costs	**(8.1)**	–
Buy-out of Netherlands agent	–	(1.6)
IFRS 2 charge on Founder Share Plan (note 16)	**(2.6)**	(2.1)
Total exceptional and other items in operating profit	**(116.3)**	(31.7)
Impairment losses on financial assets	**(8.5)**	–
Share of joint venture exceptional costs	**(2.5)**	–
Total exceptional and other items	**(127.3)**	(31.7)
Taxation		
Tax impact of non-underlying adjustments (note 8)	**1.7**	7.3
Deferred tax – exceptional (note 8)	**(2.6)**	(1.2)
Total taxation	**(0.9)**	6.1
Total exceptional and other items	**(128.2)**	(25.6)

Exceptional items

At our Interim results announcement in December ("Interims"), we announced a comprehensive review of our owned store portfolio to address both the structural challenges we are seeing in terms of channel shift and also to drive future profitable growth. As a result of this review, and the financial year 2019 store performance and reflecting revised future projections, unprofitable stores, those stores at risk of becoming unprofitable over time, and other stores where anticipated future performance would not support the carrying value of assets, have been identified. The overall costs charged to reflect a non-cash net impairment and onerous lease provision in the year were £129.5m (2018: £7.2m), affecting around 100 stores. A significant level of estimation has been used to determine the changes to be recognised in the year end, further disclosure and sensitivities can be found in notes 3, 12 and 13. Further significant costs (or credits) may be recorded in future years dependant on the success of the new strategy and turnaround of the business.

Exceptional items also include costs of £2.3m in relation to restructuring costs as a result of the cost saving programme announced at Interims in December, £3.6m relating to costs as a result of the strategic change with Julian Dunkerton re-joining the business on 2 April 2019, and other costs of £2.2m.

Other items in the year include a £23.9m credit in respect of the fair value movement in financial derivatives (2018: £20.8m charge) which has been driven primarily by the devaluation of Sterling against the Euro and US Dollar, and its impact on forward currency contracts, selling Euro for Sterling or buying US Dollar with Sterling.

The IFRS 2 charge of £2.6m in respect of the Founder Share Plan is also included within other items

The share of joint venture exceptional cost relates to an impairment and onerous lease charge of £1.8m as a result of a similar store portfolio review in China, and a deferred tax derecognition of £0.7m.

A deferred tax exceptional charge of £7.5m has been recognised as a result of changes to the forecast of the future profitability of the US business. The deferred tax charge on derivative trades is £4.5m. This total charge of £12.0m is offset by a credit of £9.4m in respect of temporary timing differences on the store impairment and onerous lease provision charge (see note 8 for further details).

7. Share of loss of joint venture

The Group holds an investment in Trendy & Superdry Holding Limited as a 50% owned joint venture. As at 27 April 2019, the carrying value of the investment was £nil. A charge of £3.7m was recognised in the financial statements, reflecting the Group's 50% share of the total loss of £6.0m in the year. In addition to the charge recognised in the year, the Group also has £3.9m of unrecognised losses in relation to the joint venture due to the investment being fully written down.

During the year Superdry Plc advanced £5.0m to the trading subsidiaries of Trendy & Superdry Holding Limited. The term of the loans is three years and interest accrues at 5% per annum. The loan balance has been impaired to £nil under IFRS 9 to reflect the uncertainty of the timeline for repayment of the existing joint venture loans.

8. Tax

The tax expense comprises:

	2019 £m	Group 2018 £m
Current tax		
– UK corporation tax charge for the period	**7.5**	19.2
– Adjustment in respect of prior periods	**(2.0)**	0.1
– Overseas tax	**3.5**	2.5
Exceptional tax expense	**(1.7)**	–
Total current tax	**7.3**	21.8
Deferred tax		
– Origination and reversal of temporary differences	**9.5**	(4.8)
– Deferred tax asset movements in respect of tax losses	**(5.8)**	(2.9)
– Adjustment in respect of prior periods	**(0.5)**	(0.7)
Exceptional tax expense	**2.6**	1.2
Total deferred tax	**5.8**	(7.2)
Total tax expense	**13.1**	14.6

The tax expense on underlying profit is £12.2m (2018: £20.7m). The net tax charge on exceptional and other items is £0.9m (2018: £7.2m credit). An exceptional tax credit of £11.1m primarily arises as a result of the store impairment and onerous lease review. An exceptional tax charge of £12.0m arises as a result of the reversal of the US deferred tax asset in respect of losses and a movement on the derivative contracts.

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

	2019 £m	Group 2018 £m
(Loss)/profit before tax	**(85.4)**	65.3
(Loss)/profit multiplied by the standard rate in the UK – 19.0% (2018: 19.0%)	**(16.2)**	12.4
Expenses not deductible for tax purposes	**1.8**	1.2
Non-deductible joint venture loss	**0.8**	0.6
Differences in overseas tax rates	**(9.0)**	(1.6)
Deferred tax asset not recognised	**36.8**	1.4
Difference in UK deferred tax to corporation tax rate	**0.5**	–
Adjustment in respect of prior periods	**(2.5)**	(0.6)
Total tax expense excluding exceptional items	**12.2**	13.4
Exceptional tax expense	**0.9**	1.2
Total tax expense including exceptional items	**13.1**	14.6

The Group's tax expense on underlying profit of £12.2m represents an effective tax rate of 29.1% for the period ended 27 April 2019. The Group's underlying effective tax rate of 29.1% is higher than the statutory rate of 19.0%, primarily due to the level of the overseas losses in relation to which not tax benefit is recognised, paying more tax in high tax jurisdictions such as Belgium, depreciation and amortisation on non-qualifying assets and the non-deductibility of the joint venture loss in the period. Net deferred tax movement is as follows:

	Depreciation in excess of capital allowances £m	Temporary timing differences £m	Tax losses £m	Intangible assets deferred tax asset £m	Intangible assets deferred tax liability £m	Derivatives £m	Total £m
At 29 April 2018	2.6	6.5	11.9	12.8	(0.8)	4.8	37.8
Credited/(charged) to the Group statement of comprehensive income - underlying	0.4	0.6	(1.6)	(2.6)	–	–	(3.2)
Credited/(charged) to the Group statement of	–	9.5	(7.5)	–	–	(4.6)	(2.6)

comprehensive income - exceptional							
At 27 April 2019	**3.0**	**16.6**	**2.8**	**10.2**	**(0.8)**	**0.2**	**32.0**

Deferred taxes are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The future growth prospects of the US onshore business are based on estimates over a four year time frame in line with the Board approved Group long-term financial plan.

The US business is projected as becoming profitable within the four years of the plan however the utilisation of the deferred tax assets is not projected to occur until outside of this timeframe. As a result of this timing uncertainty the deferred tax asset in relation to the US of £7.5m has been derecognised in the year with an additional asset of £8.6m arising in the year not being recognised. No deferred tax liability is recognised on temporary differences of £26.0m (2018: £nil) relating to current and historic losses generated by the US operations.

The Group holds a deferred tax liability of £0.8m (2018: £0.8m) in relation to Intangible assets.

9. Note to the cash flow statement
Reconciliation of operating profit to cash generated from operations

			Group
	Note	**2019 £m**	2018 £m
Operating (loss)/profit		**(68.2)**	68.6
Adjusted for:			
– (Gain)/loss on derivatives		**(23.9)**	20.8
– Depreciation of property, plant and equipment	12	**32.6**	33.4
– Amortisation of intangible assets	13	**9.3**	7.7
– Impairment of property, plant and equipment	12	**42.6**	5.3
– Loss on disposal of property, plant and equipment	12	**0.4**	0.4
– Increase in onerous lease provision		**86.9**	–
– Restructuring costs		**0.5**	–
– Release/(gain) on fair value of financial assets		–	2.2
– Cash received from disposal of financial assets		–	(2.2)
– Release of lease incentives		**(9.7)**	(8.0)
– Employee share award schemes	16	**0.9**	4.0
– IFRS 2 charge – FSP	17	**2.6**	2.1
– Foreign exchange losses		**4.5**	0.9
Operating cash flow before movements in working capital		**78.5**	135.2
Changes in working capital:			
– Increase in inventories		**(25.5)**	(5.7)
– Increase in trade and other receivables		**9.4**	(27.9)
– Increase/(decrease) in trade and other payables, and provisions		**(7.8)**	2.7
Cash generated from operating activities		**54.6**	104.3

10. Earnings per share

		Group
	2019 £m	2018 £m
Earnings		
(Loss)/profit for the period attributable to owners of the Company	**(98.5)**	50.7
	No.	No.
Number of shares at year end	**81,995,248**	81,630,277
Weighted average number of ordinary shares – basic	**81,870,875**	81,510,921
Effect of dilutive options and contingent shares	**197,784**	445,124

Weighted average number of ordinary shares – diluted	**82,068,659**	81,956,045
Basic earnings per share (pence)	**(120.3)**	62.2
Diluted earnings per share (pence)	**(120.0)**	61.9

Underlying basic earnings per share

	2019 **£m**	Group 2018 £m
Earnings		
Underlying profit for the period attributable to the owners of the Company	**29.7**	76.3
	No.	No.
Weighted average number of ordinary shares – basic	**81,870,875**	81,510,921
Weighted average number of ordinary shares – diluted	**82,068,659**	81,956,045
Underlying basic earnings per share (pence)	**36.3**	93.6
Underlying diluted earnings per share (pence)	**36.2**	93.1

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

11. Dividends

	2019 **£m**	Group and Company 2018 £m
Equity – ordinary shares		
Interim for the 52 weeks to 27 April 2019 – paid 9.3p per share (2018: 9.3p)	**7.6**	7.6
Final dividend for the 52 weeks to 28 April 2018 – paid 21.9p per share (2017: 20.2p)	**17.9**	16.4
Special dividend – paid 25.0p per share	**20.5**	–
Total dividends paid	**46.0**	24.0

In addition, the Directors are proposing a final dividend in respect of the financial period ended 27 April 2019 of 2.2p per share (2018: 21.9p) which will absorb an estimated £1.8m of shareholders' funds. The final dividend will be paid on 20 September 2019 to shareholders on the register at the close of business on 19 July 2019.

12. Property, plant and equipment

	Land and buildings £m	Leasehold improvements £m	Furniture, fixtures & fittings £m	Computer equipment £m	**Total Group £m**
NBV as at 29 April 2018	**7.2**	**91.1**	**26.6**	**5.3**	**130.2**
Additions	0.1	7.0	4.2	3.3	**14.6**
Net disposals	–	(0.3)	(0.1)	–	**(0.4)**
Reclassified as held for sale	(2.3)	(0.1)	–	–	**(2.4)**
Depreciation	(0.1)	(20.4)	(8.3)	(3.8)	**(32.6)**
Impairments	(0.1)	(30.3)	(5.3)	(0.8)	**(36.5)**
Exchange differences	–	0.8	0.2	0.2	**1.2**
NBV as at 27 April 2019	**4.8**	**47.8**	**17.3**	**4.2**	**74.1**

13. Intangible assets

	Trademarks £m	Website and software £m	Lease premiums £m	Distribution agreements £m	Goodwill £m	**Total Group £m**
NBV as at 28 April 2018	**1.3**	**22.5**	**9.0**	**3.4**	**21.6**	**57.8**
Additions	0.3	8.9	–	–	–	**9.2**
Amortisation	(0.3)	(7.3)	(0.9)	(0.8)	–	**(9.3)**
Impairment	–	–	(6.1)	–	–	**(6.1)**
Exchange differences	–	–	–	0.3	(0.4)	**(0.1)**
NBV as at 27 April 2019	**1.3**	**24.1**	**2.0**	**2.9**	**21.2**	**51.5**

14. Capital expenditure commitments

The Group has capital expenditure commitments on property, plant and equipment of £nil (2018: £0.4m).

15. Equity securities

364,971 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.

16. Share based Long Term Incentive Plans and savings related share schemes

Performance Share Plan (PSP)

During the year, 461,255 share options were awarded under the PSP with a three year vesting period. The fair value of the shares awarded at the grant date during the year is £4.7m (2018: £5.3m).

A total of 321,762 ordinary shares were exercised under the PSP (2018: 215,428 ordinary shares). The weighted average share price at the date of exercise for share options exercised during the period was 1,061p. The options outstanding at 27 April 2019 had a weighted average remaining contractual life of 16 months; these shares have an exercise price of 5p.

A charge of £0.5m (2018: charge of £3.7m) has been recorded in the Group statement of comprehensive income for the year.

Save As You Earn (SAYE)

The SAYE is a savings-related share scheme where employees can buy shares from post-tax salary for a fixed share price. A credit of £0.1m (2018: charge of £0.2m) has been recorded in the Group statement of comprehensive income for the year.

Buy As You Earn (BAYE)

The BAYE is a savings-related share scheme where employees can buy shares from pre-tax salary based on an agreed market value share price. During the year a total of 10,392 shares were purchased under the scheme. The charge to the Group statement of comprehensive income is highly immaterial and therefore has not been accounted for.

Other schemes

Share options were issued in the year as part of bonus reward packages for certain members of senior management. These options are subject to leavers' provisions and the exercise period is three years (in addition to the year to which the bonus relates). The share award has therefore been spread over four years. The charge to the Group statement of comprehensive income in financial year 2019 for these awards is £0.5m (2018: £0.1m).

17. Founder Share Plan

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

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

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

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

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

Share settled element – Senior management

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

Cash and share settled elements – All other colleagues

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

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

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

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

The number of share awards granted in the period is 919,969. The number still in issue as at 27th April 2019 is 5,235,136. The weighted average remaining contractual life of the outstanding options as at 27 April 2019 is 15 months, these options have a nil exercise price.

18. 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, Julian Dunkerton was appointed as a Director of Superdry Plc, and became a related party. The Group has spent £nil (2018: £0.2m) on travel and subsistence through companies in which he has a personal investment during the period. The balance outstanding at 27 April 2019 was £nil (2018: £nil). This expenditure includes the provision of corporate travel, hotel and catering services supplied on an arm's length basis. These interests have been disclosed and authorised by the Board.

In addition, the Group occupies two properties owned by J M Dunkerton SIPP pension fund whose beneficiary and member trustee is Julian Dunkerton. The properties are rented to the Group on an arm's length basis. The rent charge in the Group statement of comprehensive income is £0.1m (2018: £0.1m).

19. Net cash/(debt)

Analysis of net cash/(debt)

				Group
	2018 £m	Cash flow £m	Non-cash changes £m	**2019** **£m**
Cash and short-term deposits	75.8	(37.6)	(2.3)	**35.9**
Total net cash	75.8	(37.6)	(2.3)	**35.9**

Non-cash changes relates to exchange gains on cash and cash equivalents. Interest of £0.1m (2018: £0.3m) has been incurred in respect of short term facilities.

20. Principal risks and uncertainties

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

- Damage may occur to the *Superdry* Brand or the Brand may lose its resonance
- The Brand and Group's business may suffer from any failure to meet consumer needs and address consumer trends leading to a product range that is insufficiently differentiated or unattractive to target consumers
- Failure to deliver the global strategy
- Failure to deliver on our growth aspirations in the Group's key future development markets
- Loss of key colleagues or the inability to attract and retain talent or preserve the *Superdry* culture
- Negative impact driven by our response to global economic conditions
- Lack of availability of infrastructure or IT systems (due to operational constraints or a major incident) or compromise of data (either accidentally or maliciously) held by *Superdry* or key 3rd parties
- Failure to comply with legal and regulatory frameworks
- Risk of significant changes in currency exchange rates
- Global supply chain disruption and / or raw material shortage
- Ecommerce revenue growth, reflecting our position as a digital brand, is key to the ongoing development of the business
- The ongoing consumer preference shift towards digital shopping channels

- Brexit (the exit of the UK from the European Union) potentially introduces risks to operations, including increases in tariffs on goods and delays in their global movement, availability of labour and instability in the global currency market.

21. Going concern statement

After considering the forecasts, sensitivities and mitigating actions available to management, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, and operate within its borrowing facilities and covenants for a period of at least 12 months from the date of signing the financial statements. Accordingly, the financial statements continue to be prepared on the going concern basis.

22. Financial risk management and financial instruments

The Group's activities expose it to a variety of financial risks including: market risk (including foreign currency risk and cash flow interest rate risk), credit risk and liquidity risk. The information presented does not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 27 April 2019. There have been no changes in the risk management department or in any risk management policies since the year end.

Fair value estimation

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

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

The following table presents the Group's assets and liabilities that are measured at fair value at 27 April 2019.

	Level 1 2019 £m	**Level 2 2019 £m**	**Level 3 2019 £m**	Level 1 2018 £m	Level 2 2018 £m	Level 3 2018 £m
Assets						
Derivative financial instruments						
Forward foreign exchange contracts	–	1.7	–	–	–	–
Financial assets at fair value thought profit or loss	–	–	–	–	–	–
Liabilities						
Derivative financial liabilities	–	–	–	–	–	–
Forward foreign exchange contracts	–	**(3.4)**	**–**	–	(25.6)	–

There were no transfers between levels during the period.

The fair value of the following financial assets and liabilities is approximate to their carrying amount:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables

23. Post balance sheet events

There are no post balance sheet events to disclose.

24. Alternative performance measures

Introduction

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

The following APMs have been used for 2019 and 2018: underlying gross profit and margin, underlying operating profit and margin, underlying profit before tax, underlying tax expense and underlying effective tax rate, underlying earnings per share and net cash/debt.

The following APMs have been introduced in 2019: underlying EBITDA, like-for-like revenue growth.

The following APMs are no longer used in 2019: Global Brand revenue, underlying profit before tax for core operations, and operating trading loss - China.

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.

Exceptional and other items

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

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

Exceptional items

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

Other items

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

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

Exceptional and other items in this period

The following items have been included within exceptional and other items for the period ended 27 April 2019:

Fair value re-measurement of foreign exchange contracts – financial years 2019 and 2018

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

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

Restructuring, strategic change and other costs – new item in financial year 2019

Exceptional items included costs of £2.3m in relation to restructuring costs as a result of the cost saving programme, £3.6m relating to costs as a result of the strategic change with Julian Dunkerton rejoining the business on 2 April 2019, and other costs of £2.2m. The Directors consider these to be "exceptional and other" costs due to their size and their "one-off" nature. These are not considered to be a reflection of the trading performance in the period. See note 2 and 6 for further details.

Store asset impairment and onerous lease provision – financial years 2019 and 2018 item

A store asset impairment and onerous lease provision review was performed during the year across the Group's store portfolio. An impairment of £42.6m of fixed assets has been made on the basis that the recoverable amount is less than the carrying value. In addition, an onerous lease provision of £86.9m has been recognised, reflecting the shortfall in the net present value of the future cash flows compared to the net present value of the future rent obligations within the lease.

A similar exercise was performed in financial year 2018 for the Berlin Kranzler store, resulting in an asset impairment of £5.0m and an onerous lease provision of £2.2m.

The Directors consider the store impairment and onerous lease provision to be an ''exceptional and other item'' due to the materiality of the charge. See notes 2 and 6 for further details.

Share of joint venture exceptional costs – new item in financial year 2019

During financial year 2019 Trendy & Superdry Holding Ltd carried out a store asset impairment and onerous lease provision review, similar to the one mentioned above, which has led to exceptional losses. This is a joint venture of the Group (see note 7) therefore the Group has recognised a share of these losses.

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

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

Founder Share Plan ('FSP') – IFRS 2 charge – financial years 2019 and 2018 item

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

The Directors consider the plan to be one-off in nature and unusual in that the share awards are being funded exclusively by the Founders. The full year charge for FY19, FY20 and FY21 has been estimated between £3m – £5m each period. While the charge is spread over a number of financial years, the plan is a one-time scheme. Accordingly the IFRS 2 charge in respect of the FSP is considered to be an 'exceptional and other item' due to the size, nature and incidence of the scheme. There are no known recent examples within quoted companies of incentive arrangements operating in a similar way to the FSP. While unusual in terms of size, the plan is also unusual with regard to its treatment in what is essentially a personal arrangement, with no net cost or cash and minimal administrative burden to the company. There are no other adjustments anticipated in respect of the scheme other than the IFRS 2 charge.

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

See note 17 for further details of the FSP.

US Deferred tax asset – new item in financial year 2019

The performance of the US business deteriorated in the year and the revised forecasts have been updated to reflect a less optimistic outlook. The business continues to be loss making. There is increased uncertainty regarding the future utilisation of the deferred tax asset and it has therefore been derecognised. The Directors consider this to be an "exceptional and other" cost due to the size and "one-off" nature of the adjustment. See note 7 for more details.

Global Brand revenue

Global Brand revenue was previously used by the Directors to represent the equivalent value of Group revenue at the values paid by consumers. It was calculated by uplifting all revenues by applicable sales tax rates and uplifting revenues in our Wholesale division by a factor representing the applicable mark up from wholesale to consumer prices. This is no longer considered to be an important measure following the change in management, therefore this measurement has been removed for financial year 2019.

Underlying gross profit and margin

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

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

	2019 **£m**	2018 £m
Reported revenue	**871.7**	872.0
Gross profit	**484.3**	506.5
Exceptional and other items	**-**	-
Underlying gross profit	**484.3**	506.5

	2019	2018
Gross margin	**55.6%**	58.1%
Underlying gross margin	**55.6%**	58.1%

Underlying operating profit and margin

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

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

	2019 **£m**	2018 £m
Reported revenue	**871.7**	872.0
Operating profit	**(68.2)**	68.6
Exceptional and other items	**116.3**	31.7
Underlying operating profit	**48.1**	100.3

	2019	2018
Operating margin	**(7.8)%**	7.9%
Underlying operating margin	**5.5%**	11.5%

Underlying EBITDA

In the opinion of the Directors, underlying earnings before interest, tax, depreciation and amortisation (“EBITDA”) is a measure which seeks to assist in the calculation of the Return on Capital Employed for the Group. It is a key internal management metric. This is a new measure in the year, following the change in Directors.

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

	2019 **£m**	2018 £m
(Loss)/profit before tax	**(85.4)**	65.3
Exceptional and other items	**127.3**	31.7
Underlying profit before tax	**41.9**	97.0
Depreciation	**32.6**	33.4
Amortisation	**9.3**	7.7
Finance income/(expense)	**1.0**	0.3
Underlying EBITDA	**84.8**[3]	138.4

Like-for-like revenue growth

Like-for-like sales growth is defined as the year-on-year increase in revenue from stores and concessions open for more than one year, and allowing for store upsizing of no more than 100% in original trading space less the impact of store closures. This is a new measure in the year, following the change in Directors.

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

	2019 **%**	2018 %
Reported revenue	**(3.7)**	9.2
Like-for-like store revenue	**(9.6)**	(6.0)

Underlying profit before tax

In the opinion of the Directors, underlying profit before tax is a measure which seeks to reflect the underlying performance of the Group that will contribute to long-term sustainable profitable growth. 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.

As such underlying profit before tax excludes the impact of exceptional and other items.

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

	2019 **£m**	2018 £m
Profit before tax	**(85.4)**	65.3
Exceptional and other items	**127.3**	31.7
Underlying profit before tax	**41.9**	97.0

Underlying profit before tax for core operations

In the Underlying profit before tax for core operations was previously used by the Directors to excludes those costs that will be non-recurring in the long-term, in relation to initial trading losses in development markets and distribution centre migration costs. The costs for these are no longer considered to be an important measure following the change in management, therefore this measurement has been removed for financial year 2019.

Underlying tax expense and underlying effective tax rate

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

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

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

	2019 **£m**	2018 £m
Underlying profit before tax	**41.9**	97.0
Tax expense	**(13.1)**	(14.6)
Exceptional and other items – tax impact of items included in profit before tax	**(1.7)**	(7.3)
Exceptional and other items – impact on deferred tax assets/liabilities for changes in tax rates	**2.6**	1.2
Underlying tax expense	**(12.2)**	(20.7)
Underlying effective tax rate	**(29.1)%**	21.3%