SUPERDRY ® 冒険魂

Annual Report and Accounts 2020

Superdry plc
Annual Report 2020

"Inspire and engage style obsessed consumers always."

Read more within our **Business Model** on page 07

Financial Overview

Group revenue
£704.4m
(19.2)% year-on-year

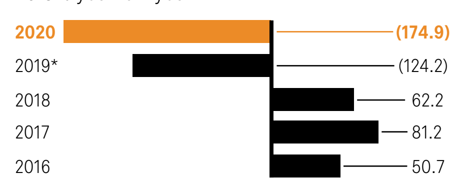
Year end net cash
£36.7m
2.2% year-on-year

Group underlying (loss)/profit before tax
£(41.8)m
(210.0)% year-on-year

Group statutory (loss)/profit before tax
£(166.9)m
86.9% year-on-year

Underlying basic earnings per share
(43.5)p
(234.3)% year-on-year

Basic earnings per share
(174.9)p
40.8% year-on-year



* FY19 profit was restated following a prior year adjustment of £3.9m relating to stock variance accounting, as detailed in Note 36.

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Superdry plc
Annual Report 2020

Strategic Report


極度乾燥(しなさい)
Superdry.


Superdry.

PETER WILLIAMS
Chairman

Chairman's Statement

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

Covid-19

FY20 witnessed the devastating impact of Covid-19 on customers, colleagues and our business partners. Clothing retailers have been impacted particularly and our stores were forced to close in March 2020. The financial impact of Covid-19 is still being experienced and the full extent of that impact will not be clear for some time yet. The organisation reacted with speed and decisiveness to the emerging crisis, focusing on reducing any short-term cash flow pressures and costs wherever possible and utilising government assistance where appropriate. Our people responded to the challenges faced by Covid-19 efficiently and purposefully. I want to take this opportunity to thank every colleague at Superdry for the hard work, loyalty and dedication demonstrated throughout this exceptional time and to all of our customers for their patience and support. By the end of June, the majority of our stores were open, with appropriate health and safety measures put in place. Full information about the impact of Covid-19 on our business, our risk mitigation strategies and how we prioritised the health and safety of our customers, colleagues and partners can be found in our Covid-19 statement on page 06, in the Chief Financial Officer's ('CFO') review on page 32 and in 'How We Manage Our Risks' on page 42.

A new Board

Following the general meeting of shareholders on 2 April 2019 and the subsequent resignation of the previous Board, we recruited an entirely new Board during 2019 – for the individual biographical details of our Board of Directors please refer to the Corporate Governance Report on page 74. After initial periods in interim roles, Nick Gresham was appointed Chief Financial Officer in August 2019 and Julian Dunkerton was appointed Chief Executive Officer ('CEO') in October 2019. Helen Weir, Alastair Miller, Georgina Harvey and Faisal Galaria joined as Independent Non-Executive Directors in July 2019. As a new team, I am very pleased with the way the Board has quickly formed both a strong and supportive presence within the business. With a wealth of retail and financial expertise, it is committed to and focused on overseeing and supporting the delivery of a turnaround in Superdry's business performance.

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

Difficult decisions, strategic changes and a disappointing performance

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

Work to substantially review operational costs, which had commenced during financial year 2019 ('FY19'), continued throughout FY20 and into the current financial year ('FY21'). This has involved periods of staff consultation, which have led to head office and retail stores being the subject of organisational restructuring in FY21. This has been a difficult but necessary part of Superdry's path back to sustainable success. Please see note 39 for further details.

The Board, Executive and senior leadership teams worked together to identify short-term priorities for strategic change – these priorities include returning to a full price stance, focusing on the Superdry design and brand construct, re-examining US and China strategy and operations, reviewing our Ecommerce roadmap, renegotiating terms across our retail store estate and cutting operational costs as far as possible. Further information can be found in the CEO review on page 28 and in our Business Model on page 07.

"Resetting an iconic global brand in the most extraordinary of times"

On 10 January 2020, following a disappointing Christmas and January sale trading period, Superdry plc and its subsidiary companies ('The Group') issued a profit warning. On 18 March 2020, as the pandemic began to take hold, the Group issued a further statement on current trading, alongside an overview of our Covid-19 risk mitigation activity and our financial position; the Group also withdrew its previous financial guidance in relation to FY20. Our pre-close trading statement issued on 7 May 2020, announced that in line with a number of listed companies, given the unprecedented levels of uncertainty and the Group's financial performance, the Board would not be recommending the payment of a final dividend to shareholders in relation to FY20. This has led to an uncertain trading outlook for stores, resulting in the exceptional store impairment charge. For full information on our FY20 results, our financial position, including going concern and material uncertainty and on our path back to growth, please refer to the CEO and CFO reviews on pages 28 and 32 respectively.

Cash preservation and reducing our inventory

The Group introduced a series of cash preservation measures in response to the Covid-19 pandemic, to ensure that it was positioned to weather future disruption in the global economy and to allow for a programme of investment in the future of the business. We have exercised considerable control on our cash flows and worked hard to reduce stock levels and maintain a high level of liquidity and strong net cash position. On 10 August 2020 the Group announced that it had completed a refinancing of its facilities to an Asset Backed Lending ('ABL') facility for up to £70m due to expire in January 2023, with amended covenants. For full details, please refer to the CFO review on page 32 and to our going concern statement on page 39.

Partners in Design

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

For further information on these, please turn to our Business Model on page 07 and to the CEO review on page 28.

Stakeholder focus

This year has brought with it a renewed focus on stakeholders – our Section 172 Statement can be found on page 24. Stakeholder consideration has always been at the forefront of our Board decision making and, this year, the Board considered a variety of matters with its stakeholders in mind, including our remuneration arrangements, the enhancement of employee engagement forums and the appointment of a director for workforce engagement, our sustainability projects, including bringing forward our organic cotton targets, and our overall strategic path.

The start of a turnaround

Our CEO review (on page 28) and CFO review (on page 32) provide further information on our operational and financial performance in FY20 and up to the date of this report. This has been the toughest of years in which to significantly reset the brand, but progress has been made in terms of strategic overhaul, cost reduction and, above all, brand and design reignition. The post-Covid-19 economic landscape remains unclear and with Brexit on the horizon, it will be necessary for all businesses to be ready to adapt and evolve in order to survive. I believe that Superdry is in a good position to take on that challenge. This Board is committed to continuing to work with the Executive leadership team to return Superdry to its place as one of the most iconic of British brands and to put the Group firmly back on the path to financial stability and, ultimately, success.

PETER WILLIAMS
Chairman
20 September 2020

Covid-19 Statement

The impact of Covid-19 on our business to date

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

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

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

Our Covid-19 risk mitigation strategy

Further details on our approach to Covid-19 risk can be found in 'How We Manage Our Risks' on page 42.

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

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

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

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

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

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

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

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

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

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

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

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

Business Model

Superdry has grown rapidly from where it began in 2003, founded by Julian Dunkerton and James Holder. From its first own store in 2004, to listing on the London Stock Exchange('LSE') in 2010, the Group has continued to excite customers through an obsession with detail and passion for a unique style.

1985
- Cult Clothing founded by Julian Dunkerton (current CEO) and a former business partner
- Original Cult store opens in Cheltenham in the late 1980s, followed by further openings, predominantly in university towns

2003
- Having previously retailed external brands such as Bench and Carhartt, the Group's first in-house brand, SDRY, is developed with James Holder (Bench founder), who joined SDRY that year

2004
- Second store format opens, branded as the Superdry Store and dedicated to selling Superdry products
- Significant UK and international wholesale business commences
- Fully transactional Ecommerce website developed

2010
- IPO on LSE
- By 2010, Superdry is sold in over 30 countries in Europe, Asia, Australia and the Americas; 40 standalone stores and 54 Superdry concessions in House of Fraser
- Flagship Regent Street store opens the following year

2014
- Julian Dunkerton stepped down as CEO to enable him to focus on design
- Euan Sutherland was appointed

2015–17
- The Design Lab, led by James Holder, launched Sport and Snow ranges, underpinning double-digit like-for-like sales
- Efforts made to move the retail and wholesale businesses to a single stock pool – reducing product range

2018
- Julian Dunkerton steps down as an Executive Director and the Group introduces a new strategy and four season model, which has subsequently been reviewed

2019
- Julian Dunkerton elected to the Board in April 2019, becoming interim CEO and, in October 2019, appointed as CEO
- Several other new leadership appointments in FY20 and refreshed strategy

Business Model
CONTINUED

Our mission and purpose

We are a brand that inspires and engages the contemporary style obsessed consumer, while leaving a positive environmental legacy.

Our brand

One Brand. Four Style Choices. Nine Consumer Types.

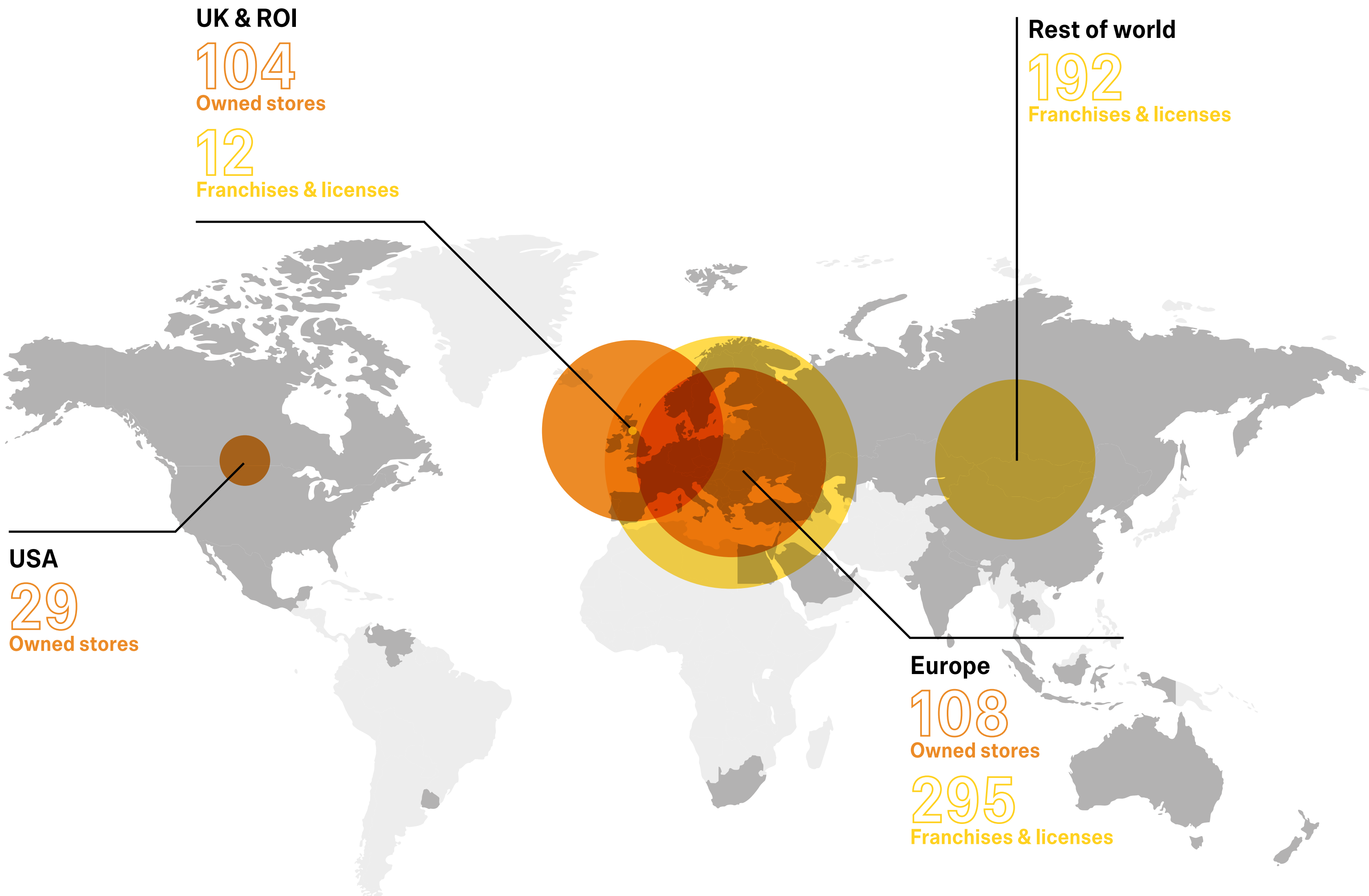
Our clear brand positioning is centred on creating amazing clothes, through an obsession with design, quality and fit and, is underpinned by relentless innovation and commitment to operational excellence in everything we do.

Our customers are loyal and global and are defined by attitude, not age.

Core to our brand DNA is the combination of market leading quality and design detail delivered at astonishing value for money. Superdry has democratic appeal, offering affordable premium-quality clothing, accessories and footwear, complemented by newer lifestyle categories such as Sport and Snow.

Our global reach

Through our franchises, wholesalers and owned estate, we reach customers from all parts of the globe. We operate in 61 countries, in 241 stores. We have 44 international websites (including third party websites).



Business Model

CONTINUED

Our Business Model

We design, produce and sell premium branded apparel to a global marketplace. Adopting a flexible, capital-light, multi-channel approach to markets means we are able to evolve quickly to maximise opportunity. We embrace digital technology in every aspect of our business model, be that in design, sourcing, marketing or selling. We take time to understand the needs of consumers and leverage the skills and capabilities of our colleagues and business partners to be efficient and responsive to market trends and demands.

Our Design Excellence

Our creative centre produces design-led products that incorporate style, quality, fit and affordability. Their relentless commitment to attention to detail, getting the right fit and style, combined with the drive to surprise, delight and engage our customers is central to our design excellence.

Led by Phil Dickinson (Creative Director) and Julian, shared passions for creativity, innovation, quality and putting the consumer first are the driving forces behind the new designs. A key milestone in the brand reset will be the launch of the AW20 collection in the Autumn, the first range to be designed end-to-end under their leadership. See the CEO review on page 28 for more details.

We offer a wide range of options, clearly segmented into four style collections, across menswear and womenswear. Each style collection includes elements of our core product categories, 'never out of stock' orange label t-shirts; jackets and coats; hoodies; underwear; swimwear; sunglasses; loungewear; and hand drawn graohics – all of which are augmented by limited edition drops throughout the season.

All of our collections are a reflection of contemporary culture, with a celebration of individuality, contemporary style and creativity. Our products stand out as a reflection of our brand story, our beliefs and how we connect with our consumers.

Our People and Culture

Change is the only constant in the world right now. But it's our culture and colleagues that will be key to seeing Superdry through a period of rapid transformation while staying true to our brand mission. Our six colleague-driven values launched in 2017 continue to remain important to us, yet a sense of unity and togetherness, the opportunity to truly be yourself, creativity and passion have come through stronger than ever throughout the challenging last few months.

As part of our mission to reset the brand, we have an ambitious people and talent agenda in progress which is fully aligned to our unique culture and which helps us attract and retain the talent that we need for our future, while unlocking the potential of our existing talented teams. We are looking forward to making this culture more transparent to every single colleague in order to ensure we continue to pull in the same direction as one team, and enable our teams the autonomy and freedom they need to do the right thing to help us deliver. We'll do this through very practical changes to some of our key people processes including: our reward framework; our talent and development processes; our internal communications capabilities, and more.

To learn more about **Our People and Culture** see pages 58 to 63

Our Customers

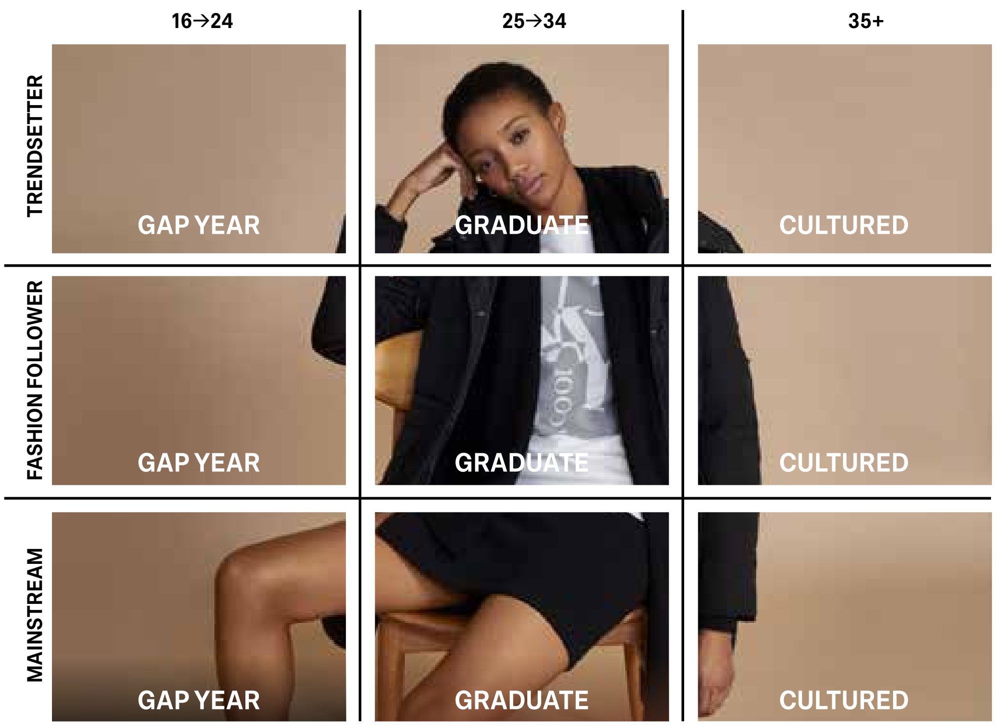
Our customers are global, aspirational and appreciative of style, quality and attention to detail, with a focus on value for money.

Following extensive research into the frequency, rationale and target of their shopping missions (from initial research and browsing, through to final purchase), which involved surveying over 18,500 consumers across six core markets, together with more detailed focus groups, we identified nine consumer types across two dimensions.

The first of these is life stage, representing the changing role of fashion for people as they move through their lives.

The second dimension is around consumer mindset, which represents the different attitudes towards fashion, that unites people no matter what age they are. Our consumer insights research identified three fashion mindsets within this: Trendsetter, Fashion Follower and Mainstream.

These two segments, 'life stage' and 'mindset', come together to create nine very clear consumer profiles.



The three life stages are Gap Year, Graduate and Cultured.

GAP YEAR

Our youngest consumers are 16-24 year olds, they are Generation Z, with less disposable income who favour brand transparency and sustainability and are experimental with most trends.

GRADUATE

Our 25-34 year old consumers; they are Millennials with increasing disposable income who are becoming more selective and individual in their own style.

CULTURED

Our 35+ consumers, who are cultured and know their own identity through and through. With the highest level of disposable income, they value product quality over quantity.

The three fashion mindsets are:

Mainstream, Fashion Follower and Trendsetter

TRENDSETTER

A consumer who creates trends rather than follows them, confident and distinctive in their own style, shops all the time and loves to stand out.

FASHION FOLLOWER

A consumer who embraces new trends, shops frequently and dresses appropriately, looking stylish in a number of situations.

MAINSTREAM

A consumer who values functionality over style, not concerned with followings trends, shops infrequently.

Our Product

1 brand, 4 style choices, 9 consumer opportunities.

By leveraging the insights that we gained from our consumer segmentation work, we have created four distinct style choices which we believe will inspire and engage our style-obsessed customers.

Our AW20 brand reset is built on the value of style, and these four style choices will allow consumers to navigate the brand more easily than in previous seasons.

Each of these style choices is targeted against the segments that represent the largest opportunity, and will also define where we focus our marketing activity, tailoring it to the target demographic across the most relevant platforms. Further detail on the brand values that inspired each of these distinct style choices can be found on page 10.

The best expression of each will be delivered through our Pinnacle concepts, which will allow us to elevate and reposition the brand, through limited-volume, premium versions of the mainline collections.

Consumer Style Choice			
01 Casual & Vintage	02 Sophisticated & Minimal	03 Sport	04 Streetwear & Energy
Superdry Mainline Collection Name			
Original & Vintage	Superdry Studios	Sport Style	Superdry X
Pinnacle Concept			
DRY	Cult Studios	Sport Performance	SDX

CASUAL & VINTAGE

Original & Vintage

The Soul of the Brand

	THE GAP YEAR ADVENTURER	THE GRADUATE ADVENTURER	THE CULTURED ADVENTURER
TRENDSETTER	16-24	25-34	35+
FASHION FOLLOWER	16-24	**25-34**	**35+**
MAINSTREAM	**16-24**	**25-34**	**35+**

SOPHISTICATED & MINIMAL

Superdry Studios

The Future Vision for Style & Sustainability

	THE GAP YEAR ADVENTURER	THE GRADUATE ADVENTURER	THE CULTURED ADVENTURER
TRENDSETTER	16-24	25-34	**35+**
FASHION FOLLOWER	16-24	**25-34**	**35+**
MAINSTREAM	16-24	25-34	**35+**

SPORT

Sport Style

An Authentic Credible Premium Aesthetic

	THE GAP YEAR ADVENTURER	THE GRADUATE ADVENTURER	THE CULTURED ADVENTURER
TRENDSETTER	**16-24**	25-34	35+
FASHION FOLLOWER	**16-24**	**25-34**	**35+**
MAINSTREAM	**16-24**	25-34	35+

STREETWEAR & ENERGY

Superdry X

A Culture Clash for the Next Generation

	THE GAP YEAR ADVENTURER	THE GRADUATE ADVENTURER	THE CULTURED ADVENTURER
TRENDSETTER	**16-24**	25-34	35+
FASHION FOLLOWER	**16-24**	25-34	35+
MAINSTREAM	**16-24**	25-34	35+

STYLE

CASUAL & VINTAGE

THE SOUL OF THE BRAND.

Obsession with:

CRAFTSMANSHIP

SPIRIT OF ADVENTURE

ICONIC SILHOUETTES

CLASSIC STYLE

50%

Options

Mainline:
ORIGINAL & VINTAGE

Inspired by the style choice of casual and vintage, with craftsmanship, culture and authenticity at the heart of each product. Introducing the soul of the brand...

Built upon the foundations that made the brand great, the 'Original and Vintage' mainline collection celebrates the development of the styles that Superdry pioneered.

Inspired by the legacy of the American West, counterculture and workwear, this style choice represents a true expression of the trailblazing style of Americana.

Each garment within the range expresses an authentic narrative, which is underlined by a sense of adventure and freedom.

	THE GAP YEAR ADVENTURER	THE GRADUATE ADVENTURER	THE CULTURED ADVENTURER
TRENDSETTER	16-24	25-34	35+
FASHION FOLLOWER	16-24	25-34	35+
MAINSTREAM	16-24	25-34	35+

Pinnacle concept:
DRY

The pinnacle concept 'Dry' is an elevated representation of the Casual & Vintage style choice.

Within this exclusive concept, Superdry highlights its obsession with artisan craftsmanship, captured through signature details such as hand embroidery and hand-drawn artwork.

Individuality threads through each of the designs to create the distinctive qualities of a modern heirloom.

STYLE

SOPHISTICATED & *MINIMAL*

The future vision of style.

Less is more philosophy

Responsible & sustainable

Simple silhouettes

Clean & Contemporary style

15%

Options

	THE GAP YEAR ADVENTURER	THE GRADUATE ADVENTURER	THE CULTURED ADVENTURER
TRENDSETTER	16-24	25-34	**35+**
FASHION FOLLOWER	16-24	**25-34**	**35+**
MAINSTREAM	16-24	25-34	**35+**

Mainline:
SUPERDRY STUDIOS

Inspired by minimal sophistication with sustainability at the core. Introducing the future vision of style...

Superdry Studios embraces the modern art of restraint, and echoes the mindset of cultural consumers who are going back to fashion basics, whilst retaining a smart style and advocating a less-is-more philosophy.

The brand champions clean and contemporary wardrobe staples designed to last, in line with an ethos of simplicity, neutral colour palettes of natural materials mixed with modern fabrication.

Pinnacle concept:
CULT STUDIOS

Founded on the pillars of innovation, sustainability and freedom of expression, the pinnacle concept of Cult Studios is evolving the meaning of refined style and represents a responsible pledge to the future of manufacturing.

Focusing on natural and eco-friendly elements, the brand has sourced the finest, sustainable and high-performing materials.

STYLE

STREETWEAR & ENERGY

Youth culture

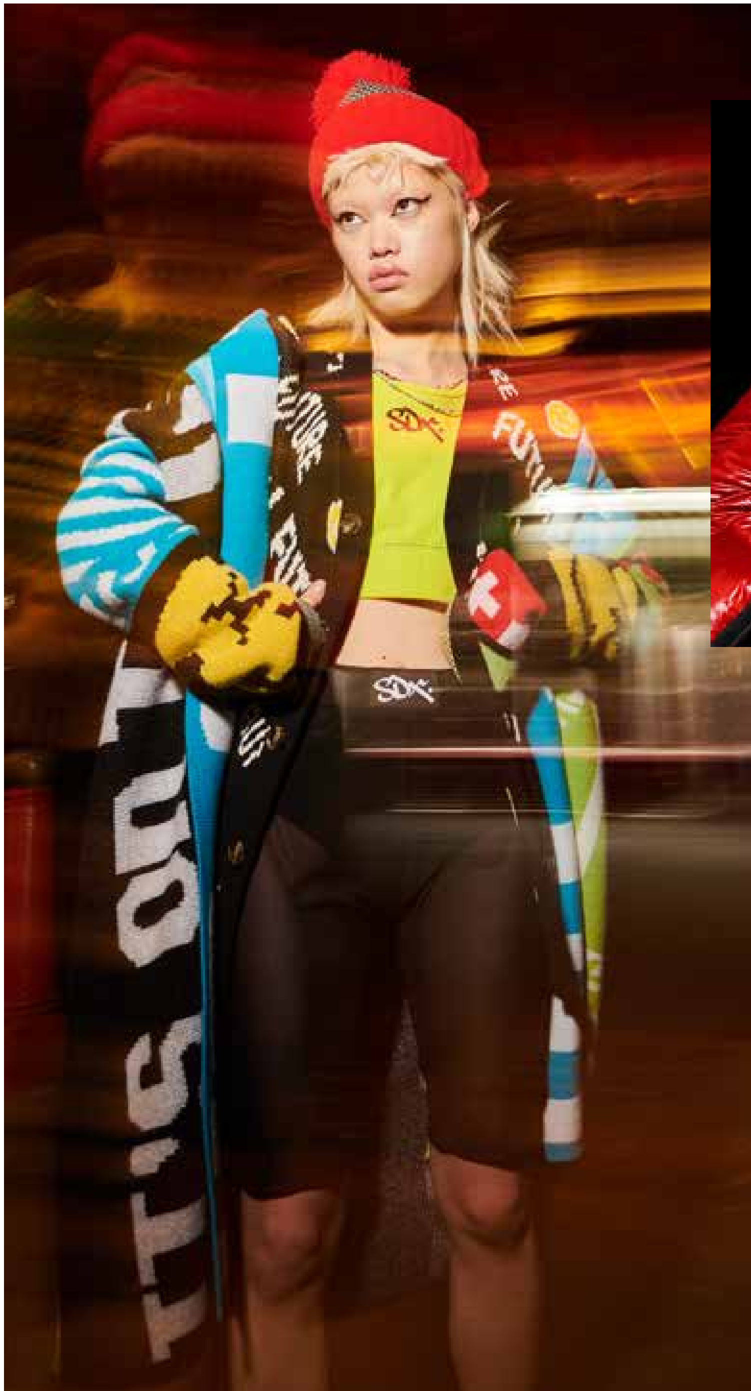
Rebellious & disruptive experimental

Silhouettes

Unique sense of style

	THE GAP YEAR ADVENTURER	THE GRADUATE ADVENTURER	THE CULTURED ADVENTURER
TRENDSETTER	16-24	25-34	35+
FASHION FOLLOWER	16-24	25-34	35+
MAINSTREAM	16-24	25-34	35+

5%
Options



Mainline:
SUPERDRY X

Inspired by the Streetwear & Energy style choice. Created for trendsetters with a unique sense of style. A culture clash for the next generation...

The exciting mainline collection; Superdry X, showcases statement pieces with a youthful attitude. Although highly expressive and eye-catching, each design is clean enough for everyday wear.

Inspired by the street attitudes of cities that Superdry has always drawn inspiration from – namely London, New York and Tokyo – Superdry X invites the consumer to a club of hyperconnected, rebellious, boundary breakers.

Pinnacle concept:
SDX

The SDX pinnacle concept deconstructs, displaces and disrupts. The result is pure, uncut energy.

With a pioneering approach to mixing materials, the SDX team are energized by the unrestricted style of youth culture and designing without restraints.

With a focus on high-end fabrication, unexpected textures and impactful graphics, the garments are designed for those who have an innate individuality.

From remixed classic silhouettes to ultra-bold contemporary styles, each piece is distinctive yet undefined, ready to be worn without limits.

STYLE

SPORT

Maximum versatility

Innovation & quality

Authentic credible premium aesthetic

Standout sense of style

30%

Options

	THE GAP YEAR ADVENTURER	THE GRADUATE ADVENTURER	THE CULTURED ADVENTURER
TRENDSETTER	16-24	25-34	35+
FASHION FOLLOWER	16-24	25-34	35+
MAINSTREAM	16-24	25-34	35+

Mainline:
SPORT STYLE

Superdry brings you a collection and concept inspired by the Sport style choice. Each new Sport range is designed to drive everyone beyond their personal best and Win Differently.

The Sport Style collection is created to engage the style obsessed consumer featuring premium athletic aesthetic designs. With incredible attention to detail and a contemporary look and feel, we deliver iconic styles with the best expression of the brand.

Attracting those with a standout sense of style, the range's colourful and comfortable coordinates are designed for maximum versatility.

Pinnacle concept:
SPORT PERFORMANCE

From AW20, we are proudly repositioning Superdry as a credible performance brand, fuelling imagination to push beyond the possible, to run, to stretch, to overcome. Using pinnacle innovation and industry leading design.

Whether enthusiast or athlete, prepare in the City and excel in the Mountains with four specialist categories – Run, Flex, Train and Snow.

Business Model

CONTINUED

Our routes to market

Superdry continues to occupy a niche position within the branded fashion market, defined by our unique product ranges, superb quality and the design detail for which we are famous.

Owned Stores

Mono-branded stores, operated by the Group, in prime locations split between High Streets and shopping centres

Concessions

Smaller stores, largely located in airports, operated by the Group in retail space owned by partners

Outlets

Sale of previous seasons' product in specialist stores

Online store superdry.com

Digital flagship store, with localised sites in key markets

Franchise & Licence business

Freestanding Superdry Stores operated by partners

Key & Independent Partners

Freestanding multi-brand stores owned and run by retail partners, selling Superdry merchandise

Online distribution via partners

Distribution of Superdry merchandise using our Key & Independent retail partners' own online platforms

Online distribution via off-price Ecommerce

Sale of previous seasons' product on outlet websites (eBay UK, Germany and USA)

Our global footprint has been achieved through a truly multi-channel approach, leveraging our eight routes to market to maximise the addressable market. Following Julian's return to the business, we view stores as an integral element of the customer journey, and are focusing on returning these to profitability.

Consumers' shopping habits continue to change – and this change has been accelerated with Covid-19, with online channels increasingly used to research, compare and purchase products. Recognising this macroeconomic trend, we are investing in our digital marketing and social media capabilities, as well as refreshing the user experience and branding across our owned websites this Autumn, to support the brand reset. Our Fulfil From Store and Click & Collect technology creates a seamless customer experience between digital and physical, as well as allowing us to optimise working capital management.

We have an agile, lean and responsive operational base. We distribute our products to customers seamlessly across multiple channels. We want our customers to be able to order from anywhere, from any device, with any payment method and have it delivered to any location from our distribution centres in the UK, Belgium and the US.

Our approach to each market is considered and seeks to optimise returns and minimise risk by tailoring the channel and marketing strategy to each country and its particular stage of development.

In delivering this strategy, we benefit from deep experience and established capability in the following eight routes to the customer.

Wholesale channels

1 Multi-brand independents and distributors

2 Franchise and license stores in secondary catchments and developing markets

3 Physical and online department stores

The capital-light and flexible nature of the wholesale model allows us to expand rapidly into locations, drive brand awareness and gain market share without significant capital investment. Our return to a full price trading stance has strengthened the relationship with these key partners.

Wholesale channels represent the most significant path to customers for the brand and consist of three distinct routes to market:

- Independent retailers and distribution partners represent the largest part of our Wholesale routes to market, accounting for 42% of total Wholesale revenue, through around 3,800 (2,700 customer accounts) points of distribution.
- Franchise and license partners represent the majority of our store portfolio. Our franchise estate now stands at 499 mono-branded Superdry stores, across 61 countries. Franchise and license stores generate 36% of total Wholesale revenues, with 61% of this in Continental Europe.
- Physical and online department store key accounts, such as Next in the UK, and Zalando in Europe, allow us to capture incremental sales and grow brand awareness with consumers we could not otherwise directly reach. In FY20, our 31 key account relationships generated 22% of total Wholesale revenues.
- Consistency and quality continue to be critical to the development of Superdry and this is controlled through our Wholesale channels, via a combination of contractual requirements and quality-control audits.

Ecommerce

4 Superdry branded websites (18 in all)

5 Partner websites that build brand awareness and access a different customer base (23 in all)

6 Off-price Ecommerce (eBay UK, Germany and USA)

Within the Ecommerce channel, owned Superdry branded websites have been our vehicle for initial entry into new, scalable markets, allowing us to access unmet customer demand and to build brand awareness, with minimal capital investment and the ability to fulfil orders from our expended distribution network and most recently, from stores. We recognise the increased importance of online, particularly in the wake of Covid-19, and continue to accelerate our online presence to capture growing consumer demand.

This year, we have worked to improve this channel by enhancing customer experience on our website, redesigning our home and category pages, introducing 'FitAnalytics' and 'ZigZag', our paperless returns portal.

Ecommerce connects to wholesale, through our partner programme, for example Zalando, Next or ShopDirect, and to stores via Click and Collect and ikiosk.

Owned stores

7 Owned stores in primary catchments

8 Outlet stores

We are committed to the high street, and view owned stores as crucial to our brand proposition, with our store estate predominantly based on short term, flexible property terms. Covid-19 presented us with the opportunity to accelerate our rent renegotiations, and we have agreed an average reduction of 43% across 49 stores to date. In addition to this, we have moved to Turnover Rent Agreements in a number of our stores, rebalancing the risk-reward economics between lessors and lessee. Following these new agreements, we have maintained flexibility and short term commitments, illustrated by over 65% of the Group's current owned store portfolio having an exit opportunity within the next three financial years.

Owned stores total 241 across 11 countries where the brand has been established, primarily through Wholesale and Ecommerce.

Similar to eBay within Ecommerce, Superdry outlet stores are an important element of the business model, complementing our full price stores. While adapted to meet the different positioning of outlet locations in different geographies, they serve a key role in optimising the value generated from excess inventory while protecting brand integrity. We have halted the production of 'made for outlet' product, which undermined the value of the brand, and instead are refocusing our outlet estate as one of the key clearance channels to clear ageing stock, allowing us to optimise our inventory buy and stock management.

We saw encouraging results when we introduced Fulfil from Store this year, delivering 67,000 orders, 7% of online sales, from 31 stores. We will look to roll out this capability globally going forward.

Global Sourcing

The Group's products are predominantly manufactured overseas by our long-standing supply base who we have proven and resilient relationships with. The current split of the majority of our manufacturing is 26% in India, 19% in Turkey and 45% in China.

Learn more about our suppliers and how we are working with them within our **Sustainability** section on page 61

Distribution Centres

We closed three distribution centres in North America in the current year, with the remaining one warehouse, 'The Eagle' (140 sq. ft.), evolving into our first truly multi-channel fulfilment centre in our network.

Outside of the US, we have two warehouses which deal with the inbound stock for retail and Ecommerce customers as well as a small element of wholesale. These distribution centres are in the UK and Belgium – 'The Duke' (500 sq. ft.) and 'The Baron' (720 sq. ft.). Currently, the only warehouse outside of the US which deals with wholesale orders is situated in Ghent, Belgium (335 sq. ft.).

In the current year, we focused our efforts on the first stages of increasing efficiencies within the distribution centres. This continues to be an ongoing project; however, we have made great progress with the integration of robotics, significantly increasing pick and return productivity.

Digital Capabilities and Ecommerce

We are in the process of step-changing our digital and Ecommerce capabilities to enable us to better compete with the best in class digital organisations.

We will do this by becoming more agile; creating an immersive consumer style and brand experience online; and building out architecture and features that allow our consumers to be served across all our routes to market seamlessly.

Sustainability

Creating clothes in a sustainable way is a key priority for us which is why in FY20 we revised our Organic Cotton campaign, accelerating our aim to reach 100% organic cotton production by 2030; 10 years earlier than our previous goal.

Read about our **Sustainability Goals** and our work to positively impact our environment and the communities in which we operate on pages 52 to 66

Section 172 Statement

How the Board of Directors has promoted the success of the Group for the benefit of its members as a whole; whilst having regard to the matters set out in Section 172 of the Companies Act 2006

We recognise that Superdry is run for the benefit of shareholders, but that the long-term success of the Group is reliant on the fostering and nurturing of relationships with a variety of stakeholders and the regular consideration of the impact of the Group's activities on them. The Board considers all relevant factors and stakeholders in deciding on a course of action that is most likely to result in sustainable success for all shareholders. Stakeholder interests are not always aligned and, on some occasions, it is necessary for the Board to prioritise the needs of one stakeholder group over another.

With that in mind, we have identified our stakeholders, what matters to them and how we engage with them, to facilitate the regular consideration of stakeholders in Board discussions and decision making. Consideration of the impact that the Group and its operations has on all stakeholders is central to the culture and values of Superdry - please refer to page 10 to read about our values and to page 58 for more information on our Superdry culture. For further information on Board decision making, please refer to page 26 and to our Governance section on page 70. The Board and the Group strive to maintain the highest standards of business conduct – additional information on this can be found in the People section of the Sustainability report on page 58, in the Corporate Governance report on page 74, the Audit Committee report on page 79 and in the Directors' Report on page 105.

Stakeholder engagement

Shareholders

What they care about
- Value of their investment
- Results
- Strategy
- Efficiency
- Corporate governance/transparency
- Remuneration
- Sustainability

How Superdry engages
- Annual General Meeting
- Annual/interim results/reports
- Corporate website
- Meetings with investors
- Investor events
- Stock market news
- Direct engagement by Investor Relations and the Company Secretariat

Consumers/ Trade Customers

What they care about
- Product design and range
- Value for money
- Product availability
- Product quality and safety
- Sustainability
- Customer Service

How Superdry engages
- Contact with store colleagues
- Monitoring of sales and footfall
- Customer satisfaction surveys
- Customer services
- Social media/website/direct contact
- Annual Supplier conference

Community/ Wider Society

What they care about
- Charitable donations and support
- Local sport sponsorship
- Environmental impact/Sustainability

How Superdry engages
- Family and friends events
- Work/school placements
- Jobs/Careers
- Support for local charities
- Invictus Games support
- Media coverage

Government/ Regulators

What they care about
- Corporate governance
- Compliance
- Health and Safety
- Environment/Sustainability

How Superdry engages
- Meetings/briefings
- Consultations
- Dialogue with trade bodies
- Specialist advisors

Media

What they care about
- Stories/reports
- Regular communication

How Superdry engages
- News releases
- Stock market announcements
- Interviews
- Visits and meetings
- Social media

Environment

What it cares about
- Statistics/information on global climate change impact, extinction rates and pollution levels
- Sustainable farming practices/organic cotton production

How Superdry engages
- Sustainability Goals/reporting
- Engagement with organic cotton farmers
- Dialogue with specialist advisors and groups

Suppliers

What they care about
- Fair terms
- Payment
- Communication
- Success of the business
- Anti-Bribery and Corruption
- Ethical behaviour
- Environment
- Sustainability

How Superdry engages
- Supplier conferences
- Face to face engagement at meetings and visits

Colleagues

What they care about
- Working conditions and rights
- Pay, pension and benefits
- Health and Safety
- Training and development
- Diversity and Inclusion
- Culture
- Leadership
- Communication

How Superdry engages
- Superdry Voice Groups (UK Retail and Head Office) and Senior Women's Forum
- 'Supersay' staff engagement surveys and pulse feedback surveys
- Workplace (Intranet)
- Super Tuesdays (Head Office colleague communications)
- Work Councils (Europe)
- Designated Non-Executive Director for workforce engagement
- Biannual appraisals process and the use of personal development plans
- The Superdry Academy
- Talent Review Framework

300,000

items of PPE donated to care homes in Gloucestershire during the Covid-19 lockdown

Section 172 Statement

CONTINUED

Governance and stakeholder consideration

Our stakeholder table is reviewed and considered on an annual basis as part of our governance arrangements. Our Board and Committee Chairs and Executive Committee ensure that the stakeholder perspective is discussed in the consideration of matters relevant to stakeholder groups. All Board and Committee decision making that impacts stakeholders is noted in a central stakeholder consideration table to record stakeholder discussions.

Board and Committee discussions and decision making during FY20

Decision making of a strategic nature/with a long term impact	Stakeholder/s	For further information refer to page
Brexit risk mitigation strategies	All	42 in How We Manage Our Risks
Covid-19 risk mitigation strategies	All	See case study below
Brand and design revival/short term strategic initiatives	• Shareholders • Suppliers • Consumers • Trade Customers • Environment	28 in the CEO report 32 in the CFO report
US and China operations restructuring	• Shareholders • Colleagues • Suppliers • Consumers • Trade Customers	34 in the CFO review
Reducing central costs and driving efficiencies across the business	All	34 in the CFO review
Sustainability – including organic cotton production and the reduction of our sustainability targets	• Environment • Suppliers • Consumers • Trade Customers • Community/ Wider Society • Shareholders	55 in the Sustainability report
Remuneration Policy consideration, including the alignment of pension contributions for all colleagues	• Shareholders • Colleagues	85 in the Directors' Remuneration Report
Effective colleague engagement	All	58 in the Sustainability report

Board decision making takes place with reference to the Group's risk management framework, including its principal risks and uncertainties – further information can be found on page 42. Please refer to our case study on Covid-19 decision making below.

Employee engagement and communication

In FY20 our existing informal workplace engagement forum in the UK was reconstituted to form Superdry Voice (SD Voice) and our Senior Independent Director, Helen Weir, took on the role of employee representative Non-Executive Director, to give a voice to employees at the Board.

SD Voice groups are composed of our UK retail colleagues and our UK Head Office colleagues. Representatives are nominated by their team mates and they provide input into Superdry decisions, support communication and help tackle issues on behalf of their colleagues.

Colleague engagement is really important to us as a brand and we value feedback and suggestions from all colleagues to help us to improve. In 2019, over 90% of colleagues used our annual engagement survey as a way to give us honest feedback about how they feel and how we are doing. We actively use and encourage the use of Workplace, our social media channel, so that colleagues can communicate and share successes or messages to a wider population and also bring to work an element of fun.

Culture and Values

Our unique culture in Superdry is defined by our heritage and continues to be a real strength of the Brand. Our colleagues are the key to our success and Superdry's past and future success is due to the energy, passion, creativity and genuineness of our 4,500 colleagues.

As we look towards the future, we will continue to find ways to evolve and strengthen our unique culture and values across our family. This will be through a mixture of working more collaboratively with our colleagues through SD Voice forums and through investment in our internal communications capabilities across the Group. We've worked hard during the Covid-19 crisis to keep our colleagues informed, engaged, aligned and supported while we have been working remotely, or in some cases stepped back from work, while stores were temporarily closed or activity reduced.

Equality, diversity and inclusion – our intent

We know that diversity reinforces who we are as a brand; we believe that strength lies in our individual differences. Our diversity is one of the highest scoring items every year in colleague feedback through our engagement surveys. Diversity is part of our agenda around inspiring positive change; we are committed to enhancing and improving our diversity through reporting, training, recruitment and listening to our teams. This will enable us to understand our demographic and take actions to effect change. We are actively investing more resources into unconscious bias training, trialling 'blind' applications and utilising our steering groups to ensure that diversity and inclusion are at the centre of our decision making. We intend to continuously improve our approach to diversity and inclusion by truly understanding our data, listening to our people, learning and reflecting.

Gender Diversity at Superdry at the end of FY20

Superdry plc Board of Directors		
Female Directors – **2**	Male Directors – **5**	
Group Senior Managers*		
Female Senior Managers – **12**	Male Senior Managers – **21**	
Group employees		
Female – **2,538**	Male – **1,800**	Non-Disclosed – **1**

* Senior Managers is defined as the Executive team and Heads of Department.

Policy on disabled persons

Superdry is committed to ensuring that all people are treated equally. We ensure that anyone who joins our business in any capacity, or anyone who we work with, is not treated differently and does not suffer discrimination, harassment, bullying or victimisation in any form. Our Equality and Diversity policy denotes a range of protected characteristics, which includes disability. Full and fair consideration will be given to all job applications made by disabled persons. Our policy clearly states that we will always do our best to make reasonable adjustments to accommodate the needs of a colleague who has become disabled during their employment. Disabled persons will be offered the same opportunities for training, career development and promotion and will not be treated differently on the grounds of their disability.

Further information on stakeholder matters

Our Sustainability section on pages 52 to 66 provides information on a range of matters that are important to several stakeholder groups, including the impact of the Group's operations on the environment, the community, suppliers and consumers. The People section in the Sustainability report on page 58 gives further insight into our Superdry culture and values. Our Non-Financial Information statement on page 51 also signposts readers to information relevant to Section 172 matters, such as our whistleblowing arrangements and charitable giving.

Covid-19

Stakeholder Consideration In Action

CASE STUDY

Global store closures

Stakeholders impacted

Board consideration of our stakeholders

The impact of store closures on all of these stakeholders was considered, but compliance with law and the health, safety and wellbeing of colleagues outweighed those concerns.

Updates to investors

Stakeholders impacted

Board consideration of our stakeholders

Shareholders were kept fully informed of performance and of the measures that the Group took to preserve shareholder value.

Decision to place colleagues on furlough

Stakeholders impacted

Board consideration of our stakeholders

All factors were considered when agreeing which colleagues were placed on furlough. This included: the levels of activity remaining; the Group's financial position; colleague health and wellbeing. Line managers were consulted to ensure the best outcomes in the interests of Superdry and all colleagues.

Donation of PPE to care homes in Gloucestershire

Stakeholders impacted

Board consideration of our stakeholders

The donation of PPE equipment was in line with our values.

Measures to mitigate stock levels including the reduction of A/W orders

Stakeholders impacted

Board consideration of our stakeholders

The Board and Executive team took the necessary measures to reduce orders and stock levels of product as much as possible, while considering the long term impact of those actions on stakeholders and preserving good relations with our business partners for the future.

Head office closure

Stakeholders impacted

Board consideration of our stakeholders

The impact of closure on these stakeholders was considered, but compliance with law and the health, safety and wellbeing of colleagues outweighed those concerns.

Pay cuts for Board and Executive team

Stakeholders impacted

Board consideration of our stakeholders

The Board and Executive team wished to demonstrate their commitment to the future of Superdry.

Not paying a final dividend

Stakeholders impacted

Board consideration of our stakeholders

The decision not to pay a final dividend, which was in line with FRC guidance and seen widely across all business sectors, was taken in order to ensure the long term sustainable success of the Group.

Measures to carefully manage cash flow and reduce our operating costs

Stakeholders impacted

Board consideration of our stakeholders

The long term sustainable success of Superdry was dependent on the prioritisation of cash preservation measures during this period of reduced revenue, as a result of the closure of our stores.

Store reopening and head office reopening plans

Stakeholders impacted

Board consideration of our stakeholders

Stores were reopened in line with the law and government advice in each country in which we operate, ensuring the health and safety of our colleagues, our customers and business partners at every stage. The efficient, rapid and safe reopening of stores was essential for the future success of the Group. Colleagues (including our SD Voice groups) were fully consulted and informed throughout the reopening process. A task force has been created to enable the reopening of our head office in the best interests of colleagues.

Key

- Colleagues
- Community
- Customers
- Environment
- Government and Regulators
- Media
- Shareholders
- Suppliers

JULIAN DUNKERTON
Chief Executive Officer

Chief Executive Officer's Review

Overview

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

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

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

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

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

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

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

Prior to the outbreak of the pandemic, we had started to make progress towards the strategic goals I set out on my return to the business. It is unknown when the impacts of the Covid-19 pandemic will end and how different the retail environment will be; however, I believe the strategic initiatives we have set out remain important and, indeed, even more vital to return the Superdry business to sustainable, profitable growth.

- **Product and Design:** Successfully segmented customers into nine consumer types, with four overarching style choices, beginning our return journey to a design-led philosophy. We reverted back to a two-season model, with intermittent capsule drops and limited edition products, taking decisions and acting swiftly in response to consumer defined opportunities. We made great strides in sustainability, reducing the time frame to achieve our Super Responsible organic cotton goal by 10 years, to 2030.

- **Brand health:** Implemented an enhanced and targeted social media strategy, helping grow our followers by 14% year-on-year. On an ongoing basis, the improvements in social media, such as quality and frequency of posts, allow us to leverage this expanded range to personalise our offering to customers, supporting our return to a full-price stance.
- **Stores:** Accelerated our review of the owned store portfolio, with renegotiated rents reducing by an average of 43% as at the end of August. AW20 will see options increase in store by nearly 80% vs AW19, providing our customers with far greater choice and reinvigorating the store experience through improved layouts and clearly segmented collections.
- **Ecommerce:** Increased the options online by over 70%, in addition to enhanced photography and website navigation, to improve our customer experience. Implemented 'Fulfil from Store' in 31 stores, delivering 7% of online orders. On-boarded and enhanced strategic new and existing third party Ecommerce relationships with a number of partners, including Next.
- **Wholesale:** Strengthened our partnerships through our commitment to selling at full price, as well as aligning deliveries to match their requirements during the year.
- **Sourcing and Logistics:** Rebalanced our sourcing mix towards Turkey, reducing lead times and responding to trends in the market quickly. Future stock buys were reduced by 20% and we closed three of our four warehouses in the US as planned, following a material reduction in inventory during FY20, even despite the headwinds from Covid-19.

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

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

Product and Design

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

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

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

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

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

Brand and Marketing

During the year, we have made positive steps in reigniting the brand DNA, building consumer engagement through a more active and better targeted social media strategy, growing our social media followers by 14% to 3.2 million.

This is supported by the up-weighting of our marketing department headcount and skillset and a more intelligent use of our brand and production marketing budget, which we will ramp back up as we look towards the AW20 launch.

A crucial element of the strategy we set out last year was to limit discounting and return to a full price stance, and as a result our full-price mix for the year, despite unplanned promotional activity during Covid-19, was 59%, up 12% year-on-year. By limiting our promotional windows to just two end of season sales and a Black Friday event (prior to the onset of Covid-19), being more targeted and considered with the product that is on mark-down, and properly utilising our existing clearance channels, we have been able to clear aged stock while maintaining a full price proposition in our full price channels. In FY21 we will return to these disciplined discounting windows, reverting to a full price stance aligned with the AW20 reset.

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

Channels to market – Retail

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

Chief Executive's Review

CONTINUED

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

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

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

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

Channels to market – Ecommerce

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

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

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

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

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

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

Channels to market – Wholesale

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

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

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

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

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

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

China

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

Sustainability

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

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

For more information, see our **Sustainability** section on pages 52 to 67.

Summary

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

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

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

JULIAN DUNKERTON
Chief Executive Officer
20 September 2020

NICK GRESHAM
Chief Financial Officer

Total revenue (£m)
-19.2%

£704.4m

Underlying loss before tax (£m)
-210.0%

(£41.8m)

Statutory loss before tax (£m)
-86.9%

(£166.9m)

Chief Financial Officer's Review

Revenue

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

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

Our Retail division

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

Retail store performance was affected by 0.6% space decline in the year, closing seven unprofitable stores to finish the year with 241 owned stores across the UK, Europe and the USA. Like-for-like ('LFL') store sales saw a decline of 14.4%, following a decline of 9.6% in FY19. An explanation of LFL can be found in the Alternative Performance Measures in note 37. Owned stores started to close in Europe in early March 2020 and the whole estate was closed for a period of five weeks starting 22 March, before starting to reopen late April 2020. The store estate was substantially reopened on 15 June when stores in England began trading, though ~5% of stores remain closed as at the end of August, predominantly airports and in other specific locations. Closures due to the Covid-19 pandemic are estimated to have contributed towards the miss to revenue forecast of £29m during the final two months of FY20, equating to 7.8%pts of the full year decline of 22.7%.

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

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

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

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

Retail revenue by territory	2020 £m	2019 £m	Change
UK and Republic of Ireland	**215.3**	263.4	(18.3)%
Europe	**173.7**	208.1	(16.5)%
Rest of World	**49.8**	65.2	(23.6)%
Total Retail revenue	**438.8**	536.7	(18.2)%

Our Wholesale division

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

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

At the end of the year, the Group had Wholesale operations in 61 countries (2019: 69) including 473 franchise stores (2019: 464) and 26 Superdry branded licensed stores (2019: 22). In the year, we closed accounts in the US due to unprofitable contracts, and in Russia and Norway due to bad debts.

These accounts equated to £11.9m, 3.6%pts of the total 20.7% wholesale channel decline.

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

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

Gross Margin

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

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

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

Chief Financial Officer's Review

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

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

Operating Costs

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

Sales and distribution costs (which include costs associated with operating stores, depreciation and transporting products) totalled £351.2m (2019: £372.4m), a decrease of 5.7%. Drivers of the decrease in store costs (£8.3m year-on-year), included the benefit of the ongoing lease renegotiations, with an average rent saving of 43% secured on the 49 leases that have been re-geared to date. The UK business rates holiday announced on 11 March 2020 resulted in £1.7m of benefit in FY20, with a further £14.3m of savings to be realised in FY21. Distribution costs declined £9.6m, following the planned consolidation of our US warehouses from four to one, as well as benefiting from reduced volumes. Head office costs were broadly flat, with investment in Ecommerce development offset by disciplined cost management, including a temporary pay cut for the Executive team and Board, and no bonus across the Group. The planned restructuring across stores and head office, completed in FY21, is expected to reduce overhead staff costs by 20%, representing a £12m annualised cost saving.

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

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

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

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

Underlying (Loss)/Profit Before Tax

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

Underlying loss before tax (as defined in note 37) for the 52-week trading period was £(41.8)m (2019: £38.0m profit restated after a non-cash prior year adjustment to stock of £3.9m – see note 36 for further details).

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

	2020 £m	Group 2019* £m
Underlying (loss)/profit before tax	**(41.8)**	38.0
Exceptional and other items		
Unrealised gain/(loss) on financial derivatives	**1.9**	23.9
Store asset impairment and onerous property related contracts	**(124.8)**	(129.5)
Restructuring, strategic change and other impairment costs	**(1.9)**	(8.1)
IFRS 2 charge on Founder Share Plan	**(0.3)**	(2.6)
Total exceptional and other items in operating (loss)/profit	**(125.1)**	(116.3)
Impairment of losses on financial assets	**–**	(8.5)
Share of joint venture exceptional costs	**–**	(2.5)
Total exceptional and other items before tax	**(125.1)**	(127.3)
Reported (loss)/profit before tax	**(166.9)**	(89.3)

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

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

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

The IFRS 2 charge of £0.3m in respect of the Founder Share Plan is also included within other items (see note 9 for further details).

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

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

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

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

For further details on the transition to IFRS 16, please see note 3.

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

Chief Financial Officer's Review

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Taxation in the period

Our tax credit on underlying losses is £6.1m (2019: £11.5m tax expense on restated underlying profit). This represents an underlying effective tax rate of 14.6% (2019: 30.2%).

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

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

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

(Loss)/profit for the period

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

Earnings/loss per share

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

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

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

Dividends

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

Cash flow

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

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

After the year end, on 10 August 2020 the Group announced that it had completed a refinancing of its facilities, from a Revolving Credit Facility for £70m due to expire in January 2022 to a new Asset Backed Lending ('ABL') facility for up to £70m due to expire in January 2023, with amended covenants. Having thoroughly stress tested trading scenarios and despite a going concern material uncertainty relating to the covenant tests, management believes that the new facility provides sufficient liquidity to continue trading through what is likely to remain a difficult trading environment for some time.

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

* The line indicated is impacted by the application of IFRS 16 in the current year only. Refer to note 3 for further details.

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

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

Working capital

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

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

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

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

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

Investments

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

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

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

In response to the identification of a prior year stock accounting adjustment in December 2019 and an internal audit review highlighting control weaknesses in Credit Control, Accounts Receivable and the IT environment, a review of the Groups key internal controls was undertaken, including both financial and non-financial processes. During FY21, outstanding remedial actions will be completed, along with a programme to embed the controls framework into the business and to monitor ongoing compliance and further improvements to the control environment has been established. For further information please see the Audit Committee report section on page 79.

Outlook

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

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

In the balance of the year we anticipate:

- An improvement in store trading from current levels, though expect LFLs to remain negative on a FY basis, given the pressure on consumer demand and uncertainty relating to any disruption from Covid-19, even considering the comparable trading in March and April when stores were temporarily shut;
- Wholesale sales to see some improvement from current trading levels through in-season sales, with franchise store LFLs in Europe recovering strongly, and normalisation of Spring/Summer forward order shipment timing;

- Most recent Ecommerce performance trends to continue over the remainder of the year, benefiting from the continued channel shift as a result of social distancing measures in stores, and from the investments in our brand and digital infrastructure;
- Gross margin impacted by a number of dynamics, with a heavily discounted promotional stance to clear excess stock and generate cash, negatively impacting full price mix year to date, but partially offset by the unwind of FY20 non-trading headwinds;
- Costs to reduce substantially in FY21, due to rent renegotiations, volume-driven and efficiency savings in logistics, and a substantial reduction in bad debt expense, together with net overhead savings from discretionary spend and payroll;
- Even under a downside scenario, closing net cash is expected to be positive, benefiting from the cash preservation measures implemented at the start of the year.

Assessment of the Group's Prospects

Background

The financial position of the Group, its cash flows and liquidity position are set out in the financial statements. Furthermore, the Group Financial statements include the Group's objectives and policies for managing its capital, its financial risk management objectives, details of its financial instruments and exposure to credit and liquidity risk (please refer to note 34).

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

Liquidity headroom

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

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

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

Base Case:

The CEO's strategy for the Group is described within the annual report (see pages 28 to 31). This turnaround strategy has been used to develop a medium-term financial plan (the 'Plan'), which builds from the FY21 internal budget and has been used for the basis of management's going concern and viability conclusions. The Plan, which is in its early stages of implementation, assumes the Group halts the underlying decline in performance which began in FY19, and reverses the incremental impact of store closures and operational disruption resulting from Covid-19. Key assumptions used in the Base Case were:

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

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

Reverse stress test

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

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

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

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

This assessment is linked to a robust assessment of the principal risks facing the Group. The principal risks are outlined in the How we manage our risks section on page 42. Though the impact of Brexit is not specifically modelled, the impacts are assumed to be within the downturn scenario detailed above.

Mitigating actions

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

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

Covenant testing

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

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

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

Significant judgements

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

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

The material uncertainty relates to:

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

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

Going concern statement

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

Viability

In line with the UK Corporate Governance Code, the Directors have assessed the prospects of the Group over a longer period than that required by the 'going concern' provision. The Directors have assessed the viability of the Group over the four year period through to FY24 using the medium term financial plan. The Plan is in its early stages of implementation and assumes the successful implementation of the turnaround strategy to reset the brand, reversing the decline in performance which began in FY19 and return the Group to FY18 profitability and growth over the medium/longer term horizon.

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

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

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

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

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

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

Key Performance Indicators

Financial

- Foreign currency sales are translated at the average rate for the months in which they were made
- Fully diluted EPS is profit after income tax attributable to the owners of the Group divided by the diluted weighted number of shares and
- Underlying is defined as reported results before exceptional items and other items, and is further explained in note 37 to the financial statements.

1 Group revenue (£m)

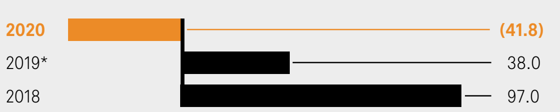
£704.4m

(19.2)% year-on-year

2 Underlying Group profit before tax[1] (£m)

£(41.8)m

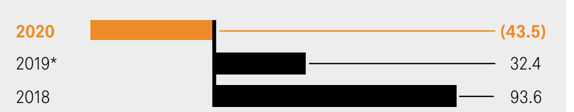
(210.0)% year-on-year



3 Underlying basic EPS[1] (p)

(43.5)p

(234.3)% year-on-year



Operational

7 Group gross margin (%)

53.6%

(1.5)%pts year-on-year

Definition
Gross margin percentage is gross profit expressed as a percentage of Group revenue

8 Retail store revenue (£m)

£288.8m

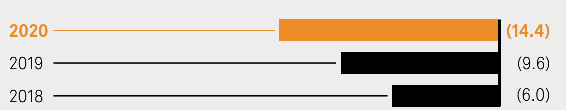
(22.7)% year-on-year

Definition
Retail Store revenue is revenue representing amounts receivable for goods supplied, net of discounts, actual returns, returns provisions and value added taxes from all of our owned store estate including concessions

9 Retail like-for-like (%)

(14.4)%

(4.8)%pts year-on-year



Definition
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

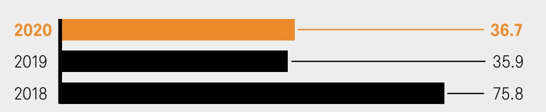
1. 'Underlying' and 'Net Cash' are used as alternative performance measures ('APMs'). A definition of APMs and explanation as to how they are calculated are included in note 37 to the Group and Company Financial Statements.
* The reported comparatives have been restated to reflect a prior year adjustment, see note 36 in the Notes to the Group and Company Financial Statements.

Financial

4 Year end net cash[1] (£m)

£36.7m

2.2% year-on-year



5 Group statutory (loss)/profit before tax (£m)

£(166.9)m

86.9% year-on-year

6 Basic EPS (p)

(174.9)p

40.8% year-on-year

Operational

10 Total retail selling space (100 square feet)

1,178sq ft

(1.6)% year-on-year

Definition
Total retail selling space is defined as the trading floor area of all stand-alone stores, excluding concessions, and does not include stockrooms, administration and other non-trading areas

11 Wholesale revenue (£m)

£265.6m

(20.7)% year-on-year

Definition
Wholesale revenue represents amounts receivable for goods supplied, net of discounts, actual returns, returns provisions and value added taxes all of our wholesale activities

12 Ecommerce revenue (£m)

£150.0m

(8.0)% year-on-year

Definition
Ecommerce revenue represents amounts receivable for goods supplied, net of discounts, actual returns, returns provisions and value added taxes from all of our websites including third parties

How We Manage Our Risks

We understand the need for an effective system of risk management. To ensure processes identify and prioritise those risks of greatest exposure to Superdry and the benefits of risk management can be achieved, a number of activities have been undertaken in producing a revised set of Principal Risks and Uncertainties ('PRUs')

To facilitate enhancements to the risk management practices a review of governance arrangements was carried out. This included changes to our Risk Committee including the composition, agenda, frequency and focus of risk reviews. A Risk Management policy was developed and introduced to provide clarity, consistency and an understanding of the approach to revised risk management practices. These enhancements were reviewed with and approved by Superdry's Executive team and Audit Committee in October 2019.

As well as considering existing PRUs, research into the global risk landscape was undertaken to consider the nature of risks being identified by organisations in the one to five year term to ensure Superdry is aware of the shorter and longer term exposures it may face. Insight was also sought from research into the wider retail sector and the associated risk landscape, given its current difficulties and uncertainties. A review of other organisations, where corporate governance practices are considered strong and where lessons could be learned, was also completed. In tandem with the research undertaken in the previous activities, discussions with senior management to understand the key areas of exposure from their perspectives also took place.

The output of these activities culminated in a revised set of PRUs, which was consolidated and further prioritised, so that the ongoing assessment, through quarterly reviews with senior management and Audit Committee of risk, is focused on the most significant risks faced by Superdry and also ensures that emerging risks that could, for example, impact the Group's ability to continue as a going concern are assessed.

Risk Review Process

01 Existing/ emerging risks

- Top down risk Identification
- Global risk landscape
- Horizon scanning across the 1–5 year time frame

02 Risk Committee evaluation

- Deep dive into significant risks
- Risk assessment
- Review Risk Score
- Independent Risk Assessment

03 Executive Committee sign-off

- Monitoring Risks
- Principal Risks and Uncertainties
- Assessing Risk

04 Audit Committee sign-off

- Review of Risk Committee minutes
- Evaluation of Effectiveness of Risk
- Management and Strategic Risk Review

05 Board sign-off

- Setting Risk Appetite
- Review and Sign-off
- Principal Risks and Uncertainties

Coronavirus

The impact that Covid-19 has had on the FY21 outlook has been covered in the Chief Financial Officer's Review on page 32 and the impact on the wider business to date can be found on page 06 as part of the Covid-19 Statement.

Given the significance of Covid-19 related risks and the associated impact they have had and could have on the Group, we have developed and continue to develop measures designed to try and reduce their impact.

To oversee the response to the virus, we assembled a Covid-19 Incident Management Team ('IMT') formed of members of the Group's Executive team. Given the scale and speed of the impact Covid-19 has had on Superdry, the IMT initially met daily and needed to operate flexibly across multiple aspects associated with the response to the crisis. Specifically, it has been responsible for: crisis and emergency management, Incident management and Business Continuity management. The objectives of the IMT have been to protect the safety of colleagues and customers and effectively carry out the responsibilities above.

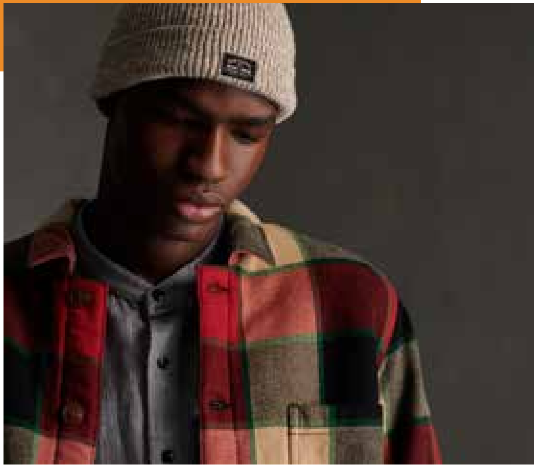
The IMT considers the impact Covid-19 is having or could have on the Group, and challenges itself and /or engages the relevant Executive colleague, the wider Executive as a group, the Board or other critical parties about the optimal preparation, response or decision being made.

Initial crisis management activity focused on our supply chain in China, given the impact on factory capacity, shipping from and travel to the region in the period after Chinese New Year.

However, it quickly became apparent that the impact of the virus would have much wider implications, with uncertainty remaining over customer sentiment and behaviours over the longer term. Throughout the crisis, the welfare of our colleagues and customers has and will always be our top priority. In addition, we have sought to protect our cash position through a number of initiatives, including utilising government support where available.

Given the uncertainty, pace of change and wide ranging impact of Covid-19, it is difficult to accurately model the level of risk associated with the virus at the time of writing, although it is highly likely the pandemic will continue to adversely impact the Group in FY21. It is clear that Covid-19 has impacted the risk profile of the business including the nature and severity of exposure faced and this is reflected in the individual PRUs described below. It is also clear that Covid-19 represents an emerging risk as the impact of further waves of the virus and the associated impact on our business cannot be assessed with any certainty.

We have undertaken planning exercises that consider different possible scenarios associated with further waves of the virus, e.g. local store or town lockdown through to regional, country and global level lockdowns including the impact during different times of the year. We have followed local government advice in the countries we operate in and this led to the closure of all our stores during the final quarter of FY20. While our stores have reopened, there remains a risk of further government lockdowns, which could impact non-essential stores like ours and would be especially impactful during peak trading, e.g. the Christmas period, as well as presenting significant supply chain risk. Lost store revenues may be partially offset by increased Ecommerce channel revenues, but it is unlikely to fully compensate and we may see an accelerated shift away from retail as a result of the virus impacting consumer habits and preferences. We will continue to monitor the health and safety of our colleagues as a priority and this includes independent auditing of our factory base. Additionally, Covid-19 has increased the probability of a sustained economic recession, which would have a significant and adverse impact on Superdry.



How We Manage Our Risks

CONTINUED

Risk	Mitigation	Movement in the year	Change in Risk 2020
Risk Category: Brand Damage may occur to the Superdry Brand or the Brand may lose its resonance.	The deterioration of the Superdry Brand is a 'risk theme' that underpins many of the principal risks and uncertainties identified by management – both in terms of cause and effect. For example: diminishing brand health caused by the failure to meet consumer needs, poor quality or counterfeit product and loss of/unauthorised access to customer data. Associated effects include customer perception, investor sentiment, recruitment and retention of colleagues, revenue and margin detriment (across all channels) and financial penalties. As such, brand is identified as a significant risk that impacts multiple areas. Specific mitigating activities are considered within individual risk areas below.	While significant progress has been made to implement the foundations to deliver the brand reset for AW20, brand risk remains at a similar level to prior year on the basis that it will take time to rebuild and optimise the brand.	←
Risk Category: Operational **Design and Product:** Superdry's ability to achieve success depends on setting a commercial product strategy that is aligned to brand position, market dynamics and consumer aspiration. A poor product strategy will prevent us addressing consumer needs and trends leading to a product range that is insufficiently differentiated or unattractive to target consumers, as seen over the last couple of years.	**Product strategy:** The Creative Director has combined 3 functions (Design / Brand Business Management/Marketing) under a 'creative centre' umbrella which enables a strong brand approach versus a retail approach, and thus creating a brand that can be positioned to target specific consumer segments. **Design:** Heads of function continually review the design, selection and performance of product ranges. The Creative Director and senior management (Design, BBM and Merchandising) regularly review product range trends to assess and correct any key selection or product issues. An insight driven AW20 range is based on 9 consumer segments and 4 style choices. Increased investment is now taking place at an earlier stage so we can understand how to prioritise in each of the consumer segments and style choices and drive towards where the largest opportunity exists.	Progress has been made during the year to align the wider business to the product strategy that was approved during FY20, including changes to store layout and our websites to showcase our style choices. Improvements in photography and social media representation is driving improved perception. However, the ability to drive success as a result of our new product is subject to the retail and wider economic climate we are operating in and as such, we believe the risk has remained at a similar level to last year.	←
Risk Category: Operational **Significant business interruption**: Compromise to our key technological/ physical assets would significantly impede our ability to trade, particularly during the peak trading period from November to January. Key assets include: i. Ecommerce platform ii. Distribution Centres iii. Critical IT iv. Head Office v. Large stores	Recent development of Business Continuity tools and measures to improve capability in the event of significant interruption: For example, understanding where the Group is most exposed to interruption, the formation of an Incident Management Team (IMT) with relevant, cross departmental representation and formation of Incident Management Plan that has been communicated to stakeholders. In October 2019, the IMT undertook its first desktop training exercise responding to a scenario where the Head Office had fallen victim to a significant fire on the morning of Black Friday. These tools and measures have been utilised to respond to the Covid-19 crisis. Resilience is provided to our Ecommerce platform through Amazon Web Services (AWS) which also enables performance testing of peak load and hourly maximum visitors. We have also implemented 24/7 monitoring of key interfaces, user experience and support team availability. Through operating a series of multi-channel Distribution Centres capable of serving all channels in a specific geographic region, with a common operating system, we have built-in resilience in the event of the failure of a single Distribution Centre. We continue to develop our upstream inventory holding capability which allows inventory to be held closer to origin, allowing for more flexible allocation to serve individual geographical markets.	The risk has various components across different asset types, which are often interlinked. However, the development, communication and deployment of scalable and adaptable business continuity measures has provided assurance that the Group can effectively respond to significant business interruption incidents. However, while we have demonstrated an ability to respond to significant business disruption, not least in response to the Covid-19 crisis, further waves of the virus represent an increased risk from last year in terms of our ability to trade without interruption.	↑

Key

← No change   ↑ Increased risk   ↓ Decreased risk

Risk	Mitigation	Movement in the year	Change in Risk 2020
Risk Category: Operational **Stock levels:** Elevated stock levels represent a risk in terms of shortfall in cash flow and additional storage costs. Trading volatility may create an excess of stock to clear that may be brand damaging if continued discounting and third party clearance operators are regularly used.	Since January 2020, we have introduced fortnightly meetings with a sub-set of the Executive to determine buy levels for each channel per season. This is designed to ensure that buying decisions reflect the need to meet changing stock levels across the estate. We have also sought to increase the visibility of stock reporting, where it is a standing agenda item at Executive Committee and regularly communicated to Board. We have contracted with a clearance partner to assist in further reducing stock levels and developed an essential collection of products (Minimum Credible Offer) that each store should stock and reduce supplier minimum order quantities, enabling us to buy the right volume of product and capitalise on popular items.	Significant reduction in year-on-year stock levels from c.19m units to c.17.3m units. The significant increase in stock provision in the year is largely related to uncertainty caused by Covid-19. Progress has been made in securing a clearance partner and enhancing governance processes associated with season buys. As such, we believe the risk to the business has decreased during the year.	↓
Performance across our global, omni-channel proposition represents a risk. Specifically:			
Risk Category: Operational Retail store performance represents a risk and in line with market trends, the ongoing consumer preference shift towards digital shopping channels has seen declining consumer visits to stores and declining profitability in the physical retail environment. It is anticipated that Covid-19 will accelerate the shift towards digital shopping channels.	Store profitability has been a focus during FY20 with the objective to reduce the number of loss making stores by 50% and implement a new strategy that is consistent with our future view of the high street. Underperforming stores were targeted with a view to implementing a corrective action plan that can include both cost reduction and revenue improvement. Significant rental savings of c.40%, have been achieved where lease events have been due, with a target to achieve this across the whole estate. A retail restructuring exercise was undertaken in June 2020, delivering cost savings of c.20%. We have achieved gross margin improvement from reduced promotional activity and increased sales opportunities, by introducing more stock with a wider range through the estate.	The foundations are now in place to deliver the wider Group initiatives and long term store initiatives, e.g. more fixtures to stores, improved option count, Fulfil From Store trial and RFID (Radio Frequency Identification) roll-out continues. However, we believe the risk to the business has increased especially if further government lockdowns are imposed due to further waves of Covid-19, which could impact non-essential stores like ours.	↑
Risk Category: Operational Wholesale performance is at risk from a number of factors, including brand perception, grey market distribution (where products are manufactured by Superdry but are sold outside of our approved distribution channels), an inability to deliver on time and in full to customers.	To reduce grey market distribution, we carry out customer due diligence and conduct investigatory measures where appropriate. The integration of RFID has also served to reduce grey market risk, by being able to identify the origin of the stock. Critical path management is in operation to ensure we deliver on time and in full to customers. Reviews of the customer order book are carried out before committing to stock purchasing, reducing the risk of overstocking.	The focus on full price trading in 'own retail' is improving brand perception and we have seen the AW20 range received very positively by our Wholesale customers. However, the probability of the risk materialising remains significant due to the impact Covid-19 is having on timely deliveries to our customers and potential for debt. Additionally, if a second wave of the virus materialises, franchisees would have to close. As such, the risk has increased since last year.	↑

How We Manage Our Risks

CONTINUED

Risk	Mitigation	Movement in the year	Change in Risk 2020
Risk Category: Operational/ Technology Ecommerce performance represents a significant growth opportunity; however, it also represents a risk in terms of delivery of short, medium, and long term business objectives. We will be unable to achieve these objectives if the consumer is moving faster than we can adapt and our Ecommerce platforms are perceived to be behind competitor propositions. Consumers are drawn to Ecommerce platforms that make the experience of browsing, shopping, discovering and ultimately purchasing, engaging, efficient and cost-effective.	Investment in Ecommerce has been a focus for the business and in FY20 that has been about getting the basics right, full price proposition and a re-architect of the site to enable growth opportunities. A robust roadmap which is broken down in line with the Customer journey: Attract, Engage, Convert & Retain is in delivery, and every element of the Roadmap is designed to give best in class customer functionality.	Delivery of the first phase of the Ecommerce roadmap. Investment in the Ecommerce teams to support ongoing developments. Greater visual impact across sites with home pages being refreshed more regularly and enhanced product photography. As such, we believe the risk to have remained constant during the year.	
Risk Category: Strategy/ Operational Failure to deliver on our growth aspirations in the Group's key future development markets, in particular, China and USA, could lead to investment without sufficient return in a reasonable timeframe and/or losses, and the deployment of significant management resource at a time when we have multiple priorities.	In the US, we have exited loss making wholesale contracts, rationalised our staffing structure, re-geared some of our leases and streamlined our DC arrangements, so we can fulfil all selling channels from a single location. In China, we have taken the decision to exit existing operations, retaining the full rights to future trading when the Board believes it to be the right time to do so.	Despite losses continuing in both the USA and China in the year, a number of specific actions, including exiting existing operations in China, will prevent these recurring in the next year. As such, we believe the risk to the business has decreased during the year.	

Key

No change   Increased risk   Decreased risk

Risk	Mitigation	Movement in the year	Change in Risk 2020
Risk Category: Finance **Exchange rates and debt** Our financial results could be impacted by changes in exchange rates. The majority of our stock purchases, are made using foreign currency (US$ or €) and therefore our costs are exposed to foreign exchange movements. This is partially offset by a proportion of sales receipts being in foreign currencies. Almost 40% of Group revenue is from our wholesale channel, made up of over two thousand individual accounts. The risk of one or more of these accounts being unable to pay debt represents a bad debt risk.	The Group's operations are geographically diversified, introducing a partial natural currency hedge. However, we maintain constant management oversight, including Audit Committee review and a Treasury Committee, which consider foreign exchange exposure and opportunities and use forward foreign exchange contracts to provide planning certainty in the major currencies in which we trade. We investigate the financial health of our wholesale partners and utilise mitigating measures such as deposits and credit insurance. We also have processes to service debt and deploy credit control resources to recoup monies owed. During FY20, we have also undertaken a review of controls that operate within key financial and non-financial systems to provide assurance over our internal control framework.	The Treasury policy has been updated during the year and approved by the Audit Committee, reflecting the strengthening of Treasury controls and reporting. Forward foreign exchange contracts have also been entered into where appropriate to do so. An updated credit policy was adopted in the year, improving controls on account creation and debt management. The significant increase in bad debt provision in the year is largely a result of uncertainty caused by Covid-19. As such, we believe the risk to the business has remained constant during the year, with enhanced controls associated with foreign exchange increase in the bad debt provision being offset by an increased risk of future wholesale debt, largely attributable to Covid-19.	←
Risk Category: Talent **Recruit, develop and retain quality leaders, including key man risk** We need to recruit, develop and retain the calibre of leadership that will enable us to achieve our strategic goals. Failure to do so could limit our opportunities for growth and increase costs of recruitment and retention. The General Meeting on 2 April 2019 saw Julian return to the business as interim CEO with the appointment being made on a permanent basis in October 2019. Julian is core to the operation of the business and his death, disability or absence could have a significant adverse impact to the business.	Following the resignation of the Executive and Non-Executive members of the Board in April 2019, we have successfully appointed a new Board in FY20 as well as having a fully resourced Executive team. Nomination and Remuneration Committees exist to assist the Board in ensuring that the Board and Executive Committee retain an appropriate structure, size and balance of skills to support Superdry's strategic objectives and values. We adopt a progressive approach to talent management, developing leaders of the future and promoting from within the business wherever possible. We also utilise a consistent performance review programme to assess the calibre of individuals and provide development plans. Succession plans have been developed in the year to ensure the business has leadership and decision making ability in the short term if something untoward happened to Julian. Since 2 April 2019, there have been significant changes to the composition of the Executive and the Board, with recruitment nearing completion. This will ensure that there is alignment to strategic direction, an understanding of the brand and key operating principles.	While there was an inevitable churn of staff in the aftermath of the change in leadership of the Group, we have a fully resourced Executive and Non-Executive management team since January 2020. The change in management of the business has led to a change in the strategy of the brand. It is recognised that development of the new strategy is not yet finalised, but significant work has been undertaken to ensure the business is design led and returning to the quality of product that the brand became famous for. A focus on key operating principles will also support the Group's ability to maximise growth opportunities. As such, we believe the risk to have remained constant in the year as we continue to develop the new strategy with the talent we now have in place.	←

How We Manage Our Risks

CONTINUED

Risk	Mitigation	Movement in the year	Change in Risk 2020
Risk Category: Compliance/ Technology **Information security and threat of data privacy breach** There is a risk our information security is breached causing data and/or systems compromise. This could impact our ability to trade, lead to regulatory scrutiny and fines and cause damage to the brand. The cyber threat landscape has seen an increase in organised crime groups using Covid-19 to carry out targeted campaigns against a number of organisations. Unauthorised disclosure or use of personal data could lead to financial loss to the customer, have a negative impact on the Group's reputation and may lead to regulatory censure, restrictions or fines. The penalty for failing to demonstrate compliance with GDPR can lead to fines of up to €20m or 4% of Group turnover. GDPR brings with it the requirement for full accountability of data controllers managing and processing data with data subjects having increased rights over how their data is processed by organisations.	We continue to enhance controls associated with the National Cyber Security Centre's guidance, including: managing user privileges, incident management, monitoring, home and mobile working, secure configuration, removable media controls, malware prevention, user education and awareness and network security. We have enhanced our capability in the period by investing in dedicated IT Security resource to implement a roadmap associated with an external, independent review of our cyber capability and maturity assessment. A key part of this has been to introduce training and proactive communication that is disseminated to the wider business with a focus on areas that represent risk areas to Superdry, as part of a 12-month Information Security awareness programme. We have also conducted a number of phishing exercises to test the extent to which staff click onto potentially malicious links/emails etc. with subsequent lessons learnt exercises and communications. Superdry holds limited special category (e.g. race, religion, genetics, health, etc.) personal data, encrypts payment card information, but carries out large-scale processing and systematic monitoring of customers (in the form of online behaviour tracking/profiling). We continue to embed controls associated with data privacy. The aim is to both reduce the likelihood to a breach and implement a leading process for issue mitigation and management. For example: our Data privacy steering group meets regularly and focuses on both the proactive and reactive components of effective GDPR management. The steering group demonstrates Superdry's commitment to a culture of compliance and governs the management of data privacy risks including monitoring performance of data protection activities, updating data inventories, making decisions or escalations and monitoring the changing external threat landscape.	While the risk surrounding information security continues to develop, actions taken in the year have enhanced our understanding of the risk profile and investments in people and systems have aimed to protect us to within our risk appetite. The implementation of the Data privacy steering group has provided a level of assurance over our exposure to a breach of data privacy. Although there have been improvements in the year noted above, given the changing external landscape (particularly as a result of Covid-19), we believe the risk to the business has increased during the year.	↑

Key

← No change ↑ Increased risk ↓ Decreased risk

Risk	Mitigation	Movement in the year	Change in Risk 2020
Risk Category: Compliance **Brexit** Brexit introduces significant risks to our business. For example, reduction in consumer spending, delays on goods crossing borders, increased direct and indirect costs, and shortage in labour especially in distribution centres. The UK has now passed an EU withdrawal agreement bill and legally exited the EU on 31 January 2020. At this stage, we are working on the assumption that we will continue to be in the transition period until December 2020. Covid-19 has delayed the timing of a potential UK-EU trade deal (now expected to be end of September 2020). An orderly exit with defined time frames, following the end of the transitional period would allow the business to implement changes required more effectively. However, there remains uncertainty in terms of the extent of change required – a 'no deal' scenario would have a more significant impact.	Superdry is a global business with corporate and operational capability both in the UK and mainland Europe, which provides some natural resilience compared to a solely UK based company. We operate a cross-functional working group which is implementing plans for Brexit covering all possible outcomes – be it departure from the EU in December 2020 with or without a full deal in place. Contingency/mitigation plans exist for all impacted areas. For example, the Economic Operator Registration and Identification (EORI) Licence is in place to enable us to operate in specific EU countries in the event of leaving the EU. Wholesale fulfilment will continue to be managed from Belgium. However, the wholesale returns process has been amended so that returns will be managed in the UK post Brexit, thus reducing cross border movement of stock. Our HR and Line Managers have met with affected EU national staff to discuss the implications that Brexit could have for them and the required steps to take, e.g. application for EU Settlement scheme. We have also sought to ensure our key stakeholders (e.g. wholesale partners) are aware of our plans for Brexit by creating FAQs and setting up dedicated communication streams to respond to queries.	While we are unable to influence the type of Brexit we will see, we have more clarity over the nature and timing of the impact. Our work in FY20 has been designed to reduce the impact it has on the business. While we believe we have the right team in place, given the impact of Covid-19 and the ongoing focus on the response to the crisis, coupled with the potential for government not to seek an extension to the transition period, we believe there is an increased risk since last year in terms of implementing the necessary measures on a timely basis.	↑

How We Manage Our Risks

CONTINUED

Risk	Mitigation	Movement in the year	Change in Risk 2020
Risk Category: Finance **Cash management** Given the cyclical nature of the Group's revenue and expenditure, there are points within the year when there are significant outflows of cash, e.g. payments in September for Black Friday and Christmas stock and dividend payments – the timing of which can change. Significant cash inflows, e.g. peak trading, do not align with the timing of the peak outflows of cash. As such, there is a requirement to manage working capital within the business to ensure we have sufficient cash at all times to meet our payment obligations, receive stock on time and therefore fulfil orders and ensure compliance with our borrowing obligations. This is also important in terms of maintaining relationships with suppliers and therefore protecting our payment terms. Historically, the Group has had significant cash reserves. However, with recent trading, Covid-19 and the prospect of a no deal Brexit, pressure on the cash balance has increased resulting in the need for closer cash management.	The Group is cash positive and generative, and has sufficient liquidity having recently refinanced and extended its borrowing capacity through a £70m asset based lending facility expiring January 2023, together with flexibility to manage outflows to protect its ability to meet liabilities, including reducing capital investment and capital returns in the form of dividends. Covid-19 has meant that our requirements for future buys for stock has reduced as we do not expect to sell as much stock versus previous projections. Additionally, given that a number of brands and retailers have also reduced their orders for Autumn / Winter buys, this has allowed us to negotiate our position more effectively with our suppliers through improved credit terms. Introduction of a more detailed cash flow forecast, to enable daily updates of the cash position and our resulting expectation of cash balances. Significant liquidity is provided by the Group's bank funding with the Board monitoring headroom between forecast cash positions and facilities, which have been modelled under multiple stress test scenarios as a consequence of the material uncertainty around going concern.	The Group has maintained healthy cash balances, despite the significant impact of Covid-19. New, enlarged and extended facilities provide the Group with additional funding and headroom. Despite these positive actions, the volatility created by Covid-19 means the risk has increased during the year.	↑

Key

← No change ↑ Increased risk ↓ Decreased risk

Non-Financial Information Statement

The table below shows where information can be found in relation to the requirements of Companies Act 2006 section 414CA and 414CB, including information on policies and policy outcomes (where applicable):

Reporting Requirement	Annual Report Section(s)
Review of the business	Pages 28 to 39
Principal risks and uncertainties	Pages 42 to 50
The main trends and factors likely to affect the future development, performance and position of the business	Strategic Report
Business Model	Pages 07 to 23
Environmental matters, including the impact of the business on the environment	Pages 52 to 66
Social and Community matters	Pages 52 to 66 Page 24 to 27
Employees	Pages 52 to 66
Respect for Human Rights	Pages 26, 52 to 66
Anti-Bribery and Corruption	Pages 107
Culture	Page 10 Pages 52 to 66
Non-Financial Key Performance Indicators	Page 40 Page 55

This report was approved by the Board of Directors of Superdry plc on 20 September 2020 and signed on its behalf by:

JULIAN DUNKERTON
Chief Executive Officer
20 September 2020

NICK GRESHAM
Chief Financial Officer
20 September 2020

Sustainability and People

SHAUN PACKE
Sourcing and Sustainability Director

CARLY THOMAS
Head of Sustainability

"As a responsible, sustainable and ethical business, I am proud of the progress we have made in FY20 to embed sustainability at the heart of our culture and brand DNA. Even during these challenging times due to the global impact of Covid-19, we believe that it is crucial to challenge ourselves and continue to work in partnership with our suppliers, recognising that they are fundamental to delivering our sustainability ambitions."

We will continue our journey to use the most sustainable production processes and materials available when making our garments, to limit our impact on the planet. Nineteen per cent of the cotton we use has already been converted to the gold standard of organic cotton, significantly exceeding our 2020 target of 13%. 100% of our owned stores and offices have also been converted to renewable electricity. These successes have enabled us to radically reduce our timeframe to achieve our Super Responsible Goals for Product, People and Planet by 10 years, to 2030. This reflects the dedication of our Sustainability and Ethical teams and the commitment from all of our colleagues and wider supply chain partners to support the delivery of our sustainability strategy, as described below.

Working closely with our Creative Centre, our aim is to drive positive change across our industry and move the conversation towards a future of sustainable fashion.

SHAUN PACKE
Sourcing and Sustainability Director

This section provides:

1. Progress we have made so far against each Sustainability Goal
2. Update on wider Sustainability activities to make the best product sustainably, to protect our planet and support our people.

Accelerating our Goals

In 2017 we announced three challenging Sustainability goals: our SuperResponsible40. These goals focused on producing the best product sustainably, while protecting our planet and supporting our people.

In 2019 we exceeded initial targets and in 2020 we updated and accelerated these goals with full support and commitment from our CEO and Board.

- All cotton will be Organic by 2030.
- 100% renewable electricity used across our own business by 2020.
- 100% renewable electricity used by our key suppliers by 2030.
- 100% packaging to be reusable, recyclable or compostable by 2025.
- We will continue to empower, inspire and engage young and vulnerable people across our communities globally.

Accelerating our goals is the right thing to do – it means our commitments align with the United Nations Sustainable Development Goals (SDGs) deadline for 2030 – building our accountability as global citizens to deliver against more challenging targets.

Our sustainability goals are future facing. We continue to run core ethical and environmental programmes to ensure we meet our corporate responsibilities in our business operations and supply chains. This section covers progress made in both Sustainability and Corporate Responsibility.

PRODUCT

100% organic cotton used in Superdry garments by 2030

PLANET

100% renewable electricity in ours and our main direct suppliers' businesses by 2030

PEOPLE

We will continue to empower, inspire and engage young and vulnerable people across our communities globally

Sustainability: Amplifying our Impact

To achieve acceleration, we have:

01

Centralised our Sustainability team to deliver our Sustainability Strategy across our business.

02

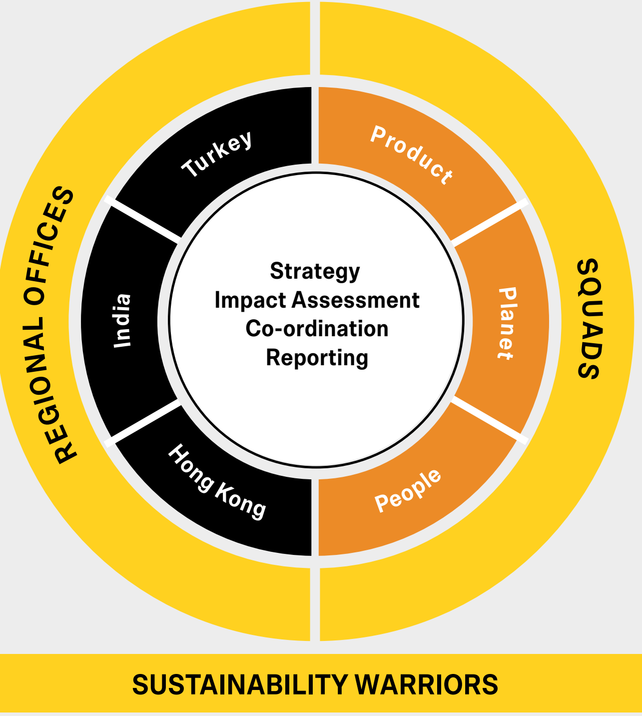
Built ownership using cross functional 'Squads' and 'Sustainability Warriors' to drive change whilst continuing to engage and activate our colleagues.

03

Embedded and delivered our goals with our suppliers through our regional offices across the world.

By changing the way we work, we have embedded our environmental legacy at the heart of our products and operations – amplifying our impact.

Central Sustainability Approach



Global Sustainability Team

This year we restructured into one central sustainability team – led by our Director of Sourcing and Sustainability – enabling us to drive Group Ethical Trading priorities, Environmental Management and Sustainable Materials targets.

Sustainability Warriors

In March 2020, we ran a recruitment campaign for Retail Sustainability Warriors. These are a group of 19 Superdry retail colleagues from across the globe who were handpicked based on their active enthusiasm for sustainability actions – and they join existing Warriors operating across functions in Head Office and within our Regional Teams.

The Warriors will be our voice for sustainability, acting to reduce our impact, scope out future possibilities and to encourage change through the Group.

Squads

Our sustainability goals have measurable and achievable milestones which are delivered by focused Squads. Each Squad consists of core representatives from the critical functions with skills needed to deliver our goals globally. We have one Squad for each priority area – Product, Planet, and People.

Squads often reach out and form focused groups outside of the Superdry family – including other retailers, industry associations and subject specialists to share and develop best practice on key initiatives and further amplify their impact.

Sustainability: Our Targets

As a business we use the Sustainable Development Goals (SDGs) to track our impacts and prioritise focus by source country.

We have prioritised four out of the 17 SDGs, as these goals represent where we can maximise our impact as a brand. We continuously monitor our impacts as applicable across the remaining thirteen SDGs.

Target: 100% Renewable Electricity in owned & controlled operations by 2020.
Results – FY20: 100%
Progress: Complete

Target: 100% Renewable Electricity in all Global Distribution Partners by 2030.
Results – FY20: 25%
Progress: On Track

Target: 100% Renewable Electricity in all key Franchise Partners by 2030.
Results – FY20: N/A
Progress: Commencing 2022.

Target: 100% Renewable Electricity in all key Suppliers* by 2030 – % factories utilising Renewable Electricity.
Results – FY20: 18%
Progress: On Track

Target: 35% efficiency improvement in electricity used in own estate by 2020 (against 2014 baseline).
Results – FY20: 38%
Progress: Complete

Target: 100% packaging to be reusable, recyclable or compostable by 2025
Results – FY20: 91%
Progress: On Track

Target: All plastic packaging used contains a minimum of 70% recycled content by 2025 – % recycled content across all plastic packaging.
Results – FY20: 30%
Progress: On Track

Target: 100% Organic cotton by 2030.
Results – FY20: 19%
Progress: On Track

Target: 100% Volume produced in Tier 1 and Tier 2 Ancillary process factories subject to ethical approval and monitoring processes.
Results – FY20: 100%
Progress: Maintain

Target: 100% nominated/preferred Trims sources subject to ethical approval and monitoring processes by 2025.
Results – FY20: 20%
Progress: On Track

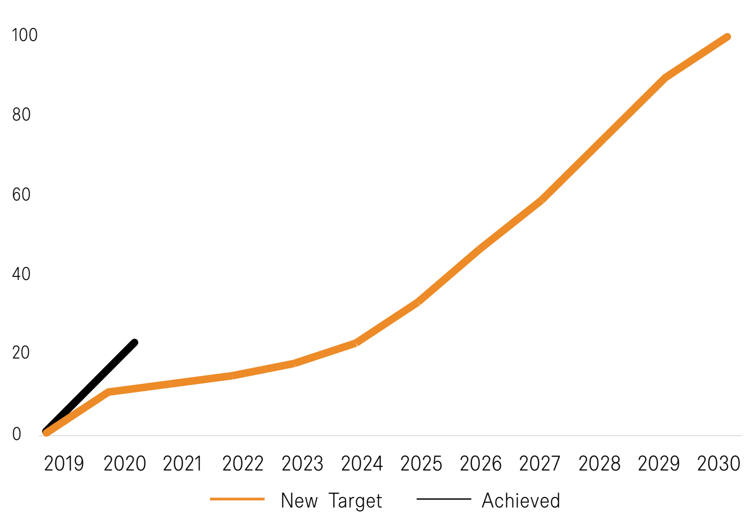
Target: 60% female workers in our India supply base given training and ongoing support on rights and empowerment†
Results – FY20: 51%
Progress: Focus to achieve in FY21

Target: NEW Equal access to training for Men and Women included in Organic/Transitional Farmer Agronomic training by 2025.
Results – FY20: 10%
Progress: Maintain

* Key suppliers defined as Top 20 which supply 68% of Superdry product volume utilising 38 factories.
† Training activity held in FY20 to review sustainability of systems established in factory.

Progress Report: Product

Organic cotton roll-out plan



At Superdry, our continued ambition is to innovate using more sustainable materials in our products – starting with cotton. All cotton we use will be organic cotton by 2030.

Organic cotton

Cotton remains our largest single raw material, representing 53% of the total volume of raw materials we buy annually.

Our focus on converting all Cotton to Organic follows extensive research and consultation with the cotton sector. Organic is the best possible virgin cotton – growing organic uses between 60 and 90% less water compared to conventional cotton – it also benefits soil quality, farmer health and enables farmers to charge a premium to the market.

This year we accelerated our annual targets to ensure we meet our 2030 goal; we also committed to switching a minimum of one category to organic cotton per year between 2020 and 2030 in order to ensure we reach these targets.

A clear roll-out plan, and cross functional support through our Product Squad, means we have exceeded our accelerated target of 13% in FY20 – reaching 19% by converting all Underwear, Socks, Orange Label T Shirts, Polos and Sleepwear.

Having converted almost a fifth of our cotton volume to date, we are entering the next phase of our roll-out and plan to continue in our approach in overachieving against our annual targets to 2030.

Superdry demand for organic cotton is growing year-on-year. According to Textile Exchange's Organic Cotton Market Report (2019), organic cotton continues to represent less than 1% of global cotton production.

To make our goal sustainable we committed to tackling supply issues at the bottom of the chain. Since joining the Organic Cotton Accelerator ('OCA') in 2018 we have been collaborating with other brands, retailers and supply chain actors in addressing sector-wide challenges to bring integrity, supply security and measurable social impact to our organic supply chains.

Traceable and Sustainable Alternative Materials

This year we have piloted sustainable alternative materials in our products – from using recycled polyester fill in our jackets to Tencel and Linen blends in our apparel. We will continue to drive the use of sustainable alternatives materials in our products through FY21 – particularly where we identify opportunities in tracing our impact on people and planet through the supply chain.

Recycled Fill

This year, we used recycled fill in all SS20 mainline padded jackets and outerwear on a trial basis. We made no product based claim to our consumer to enable us to test the supply chain and to ensure impact. Our test indicated that on average, 10 plastic bottles are utilised per Superdry Padded Jacket, with a maximum opportunity of 30 million plastic bottles diverted from landfill upon conversion of the full range.

These jackets utilised bottles traced back to household recycling plants located in Jiangsu province in China which is located nearby to our factories piloting this product. We plan to continue with this programme going forward while continuing to review impact on our business, product, supply chain and planet.

Tencel

Featuring in key styles across our AW19 and SS20 Women's collection, Tencel is biodegradable and grown sustainability with enhanced traceability through the supply chain.

Linen

Biodegradable and recyclable, linen uses 60% less water than cotton to grow and needs fewer pesticides. We have used linen in tops and shirting options across our Men's and Women's collections in AW19 and SS20 – offering consumers additional benefits in linen's hypoallergenic and absorbent qualities.

Recycling supply chain waste

In January 2020, we trialled segregating cut fabric waste and unusable second quality product from key factories in Turkey, which was then picked up by a fabric recycler and converted back into yarn, processing 84.50 tonnes of 100% cotton cut waste which was then blended into 114.80 tonnes of yarn.

This can be used to produce the equivalent of 120,000 Superdry sweatshirts. We are now working with our product development team to look at how to close the loop and utilise this in future Superdry production.

Transitional Farmers

‘Symbiofarm’

Madhya Pradesh, India

CASE STUDY

Superdry is working with 369 farmers located in Khargone, Madhrya Pradesh, India to help them through the conversion process to organic. These farmers grow cotton in addition to other food crops and are looking to achieve full organic status within three years – by 2022.

To support their conversion process, we engaged a local partner to build their knowledge of optimal organic farming practices. This curriculum was overseen by bioRe India – a leading foundation spearheading organic cotton research and seed development. All farmers attended group and individual training over a six month period. We also helped them by directly funding an incremental premium per kilo of transitional seed cotton produced.

All outcomes of this work will be measured by the Organic Cotton Accelerator to ensure farmers have benefited in their first year of training and support. We are expecting the validation results later in the year.

Progress Report: People

We know that our people, whether directly or indirectly engaged by Superdry, are fundamental to our success and it's our people that provide the rich heritage upon which Superdry's success has been founded.

Supporting and looking after our people means the following:

- Providing a safe, healthy and unique culture for our colleagues;
- Ensuring our suppliers have access to fair and safe conditions that respect human rights and adhere to our code of practice; and
- Supporting local communities, young people and charities.

Our People

It's our colleagues that are the heart of our Brand and without people we know we would not be able to achieve the things that we're doing now and in the future. FY20 has been a year of change and throughout this challenging period, we're proud that we've stayed true to our core values launched in 2017. We know that continuing to put these values at the front and centre of decisions helps us to build a unique and strong culture, one that attracts and retains the best talent in the industry. But above all, a sense of unity and togetherness, passion, creativity and individuality seem to resonate the most with all colleagues across the globe and help to align us all in building something amazing.

We're a diverse business employing 4,638 colleagues across 16 different countries. We rely heavily on our online communications network, Workplace, to ensure that no matter where our colleagues are, they feel part of the Superdry family - informed, engaged and motivated. Throughout the Coronavirus crisis, this has mattered more than ever and, as such, we've ramped up communications from Superdry to keep our teams engaged, also seeing a huge spike in self-generated content as colleagues globally have looked to use this business networking tool to keep connected and stay in touch with each other to share their stories.

The changes to the business and challenging performance in 2018/2019 were reflected in our annual colleague engagement survey, where we give every single colleague a chance to feed back on what it's like to work at Superdry and what could be better. We continue to see strong levels of engagement and honesty from our teams, with over 90% of colleagues responding, which is a great reflection of our culture. Although engagement fell by 6ppts to 66% positive, over two thirds of our global colleagues feel strongly that Superdry is a Great Place to Work. We've used this honest feedback to work with our leaders, and put into place changes which we are confident will help to continue to improve our culture and grow Superdry into an even better place to work in the future.

As Superdry continues to look to reset the business, we continue to need to attract talented individuals across a range of job roles and levels in the business. We take talent seriously, by having regular reviews and touch points with individuals to provide feedback, set goals and priorities, and review performance. In FY20 we invested heavily in coaching, putting over 150 managers through our 'Coaching for Growth' programme, which focused on building a coaching culture throughout the business, unlocking personal growth and autonomy.

Looking forward we will be evolving and building our talent pipeline and performance to ensure we get the best from our talent. To do this, we are looking at ways to simplify our talent processes and build in more agility. One of the changes being implemented is the removal of annual and half-year reviews and replacing them with continuous development conversations in order to support a more agile method of setting priorities, given the rapid changes happening in our industry. To support ongoing learning, we will be investing in moving to a more 'digitally based' Learning Academy, ensuring that colleagues everywhere have access to virtual content up to and including leadership development. And we're transitioning all of our onboarding processes to be digital, so that we can continue to set newly engaged colleagues up for success.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Progress Report: People

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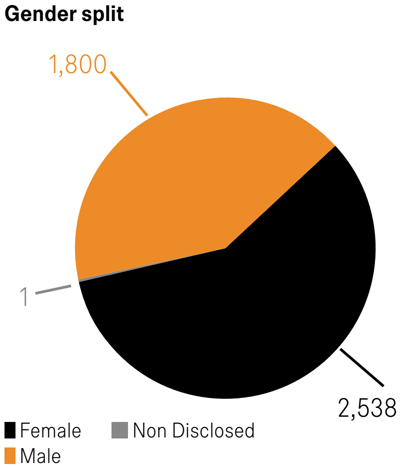

Diversity

At Superdry diversity, fairness, inclusion and equality are at the heart of what we do. Diversity comes through time and time again as a key strength with 85% of our team saying they are confident in themselves at work, and 86% of colleagues feeding back that they feel they are treated fairly, regardless of their backgrounds

No matter what your background, everyone should have the opportunity to grow, learn, develop and feel fulfilled. We ensure that we are focused on providing this to all of our colleagues. Our approach to gender, diversity and equality are reflected in our Annual Gender Pay Gap Report, which was published in April 2020 and can be found on our website.

The gender pay gap is calculated using the approach defined by law and compares the difference in average pay between men and women. Overall, the Group's gap is 22.6% and our retail business, C Retail has a gap of 3.5%. The difference in percentages is because in C Retail, the majority of pay is fixed with a limited number of job variation, whereas when you view the Group as a whole, this then incorporates a variety of roles and pay, ranging from a Sales Assistant to the CEO and in turn increases the percentage. Whilst we aspire for this gap to be zero, we are confident it is not driven by inequality or unequal pay between men and women and instead is driven by the fact that our most senior roles are predominantly held by male employees. This can be seen within the Section 172 statement on page 24 which demonstrates our % split between male and female colleagues, across different job levels in our Global business.

An Equality and Diversity Policy is in place, which sets out our expectations of all colleagues.

In addition, our Raising a Concern policy demonstrates the support available to all our employees in raising concerns. We provide global access to a whistleblowing line, Safecall, which means that colleagues have the opportunity to speak out anonymously if they believe issues need to be brought to the attention of senior management - they are always treated with the appropriate gravitas.

In FY20 we are especially proud to have committed to two actions. Firstly the establishment of a global Senior Women's Leadership Forum, to help ensure Superdry is on track with the enablement and empowerment of not just women, but all individuals throughout the organisation, with a specific focus on Family, given the alignment with one of our core values. And secondly, establishing the Superdry Voice. Two representative bodies for our UK Head Office and Retail Colleagues, launched in April 2020, to ensure colleagues views, opinions and ideas are heard and reflected in Superdry's decisions and future strategy, which aligns to the recommendations set out in the Corporate Governance Reform Paper. Black Lives Matter has been a high profile global campaign that has impacted many around the world. Like many organisations, we have used this as an opportunity to reflect on our approach to diversity and inclusiveness with our employees and customers. We have openly encouraged our colleagues to educate each other and share their stories as well as to ask how we can improve things. We want to ensure we have a sustainable approach and plan, are not just simply reacting to the moment, and so are now putting plans in place to drive meaningful change within Superdry.

Our Suppliers' People

We work closely with suppliers, factories, local experts, auditors and multi-stakeholder organisations to ensure our suppliers' people work in fair and safe conditions that respect human rights. Our factories (Tiers 1, 2 and 3) provide jobs to c. 125,000 people globally – 56% are women, 44% are men.

Our Ethical Trading Code of Practice represents our baseline requirements which work alongside local laws to ensure a minimum standard of protection is afforded to all people in our supply base in all countries. Our Code of Practice aligns with the Ethical Trading Initiative Base Code ('ETI Basecode') which in turn is based on international standards including the Universal Declaration of Human Rights and the International Labour Organisation's Core Conventions on Labour Standards.

Following recommendations set out by the UN Guiding Principles for Business and Human Rights, our ethical trading programme aims to ensure:

1. **Respect:** We maintain accurate benchmark information on factory conditions in line with our Ethical Trading Code of Practices – whichever affords the worker the greater protection.
2. **Remedy:** Where we find issues we support factories to make improvements with the aim of providing Decent Work and Economic Growth (SDG 8) to all people operating in our supply chain.

We have Superdry dedicated labour standard experts operating in each key source region – EMEA, India (including Sri Lanka) and the Far East. Global oversight is provided from our Head Office Sustainability team.

Directly reporting into the Director of Sourcing and Sustainability, the Head Office team provides benchmark data on factory ethical performance to inform sourcing priorities.

Respect: maintaining an accurate benchmark of Factory Conditions

We have employed dedicated ethical trading experts covering all key source countries. Our teams work closely with factories to secure transparent disclosure with the aim of obtaining an accurate baseline view of working conditions and agreeing relevant and achievable action plans.

We regularly audit 100% of main production sites (Tier 1) and their subcontracted units (Tier 2) on a semi-announced and unannounced basis in all territories. In the last 12 months, we have extended our audit processes to nominated or preferred trims and label suppliers (Tier 3) in key source territories – fully onboarding Turkish factories.

Progress Report: People

CONTINUED

We relaunched our ethical audit programme in FY20, working closely with our global audit partner – Bureau Veritas, and local audit partners – The Reassurance Network (TRN) and Social Compliance Services Asia Ltd (SCSA). Our relaunched programme is designed to:

1. **Detect and respond to evolving risks in regions:** Extension of issue level risk assessment and audit scope to include inherent risk factors associated with Modern Slavery and Environmental Sustainability. We have also introduced a 'severity vs. likelihood/scale of impact' framework to help accurately assess issues as they emerge.
2. **Prioritise transparency, accuracy and clarity in results:** Audit results are initially reviewed locally by our regional team to ensure they are clear and any action plans agreed with factories are relevant and achievable. The flexibility to adapt using multiple audit partners also drives accuracy and transparency enabling us to switch partners and then cross-check audit results over time.

Superdry's in-house ethical experts work closely with our external audit partners and factories to fulfil the above objectives. We continuously monitor audit quality by shadowing a minimum of 15% of third party audits, and the process is further strengthened using system control (repeated) audits completed by dedicated external integrity auditors to ensure consistent results.

Having Superdry ethical teams alongside preferred audit partners allows us to respond to risks quickly as they emerge, and is critical in negotiating and facilitating transparent risk assessments with factories by building partnerships locally.

Where we struggle to obtain transparency, accuracy and clarity or where we seek feedback on improvements made in factories – we may elect to work with local community organisations, and wider labour standards experts to complete offsite interviews. This additional step often provides a further depth of results and root causes.

In addition to ethical audits, we continue to review policies and procedures to protect more vulnerable groups of workers including migrants, contract workers, Syrian refugees (Turkey) and homeworkers on an annual basis. These are included in our Supplier Manual and form a condition of doing business for our suppliers.

Remedy: Access to local innovative solutions to issues

While factories often share common issues, we have found that sustainable solutions are often best adopted when developed locally, in consultation with local groups.

Our regional offices work closely with factories to establish practical action plans, training, and capacity building with management, supervisors and worker committees. We prioritise bi-weekly or monthly training and capacity building where factories demonstrate non compliances which pose the greatest risk to worker well-being – and closely monitor improvement in line with agreed milestones. Where factories fail to engage in this process and fail to meet the minimum required standard within a defined time period, we implement a phased exit plan.

We continue to prioritise Worker Voice in all key factories and work to ensure these factories have effective means to raise issues to management collectively. This year we completed a full review of our Gender Awareness programme ('Respect') – aligning impacts alongside the UN Women's Empowerment Principles with a view to relaunching to make learnings sustainable in factories which have already completed the programme, and reviewing extension possibilities globally.

Our communities

With a business that employs 70% of its workforce under 30, youth well-being and employment opportunities are at the top of Superdry's priorities to give back to local environments.

Local Education

Through Superdry School Days, we have continued to work with local schools to provide opportunities for students to experience working for Superdry through engagement in focus groups, job shadowing and discussing career journeys with Superdry colleagues. This year we have welcomed over 40 children into our offices to show them about the world of work and given them access to our colleagues.

University partnership

We are in the fifth year of our partnership with the University of Gloucestershire where we work closely with undergraduates studying for degrees in Fashion, Graphic Design and Photography setting projects, providing work placements, judging final coursework and providing materials and support to their respective programmes. We have placed a number of undergraduates within the business as part of the requirements to complete their degree courses. In addition to this, our design centre has also embarked on creating a new partnership with Birmingham University, providing lectures, personal tutorials and judging the final year fashion show and working with the London College of Fashion to provide student teams with a course project centred around design and range planning – with the winning team spending two weeks with Superdry in Cheltenham.

Charitable activity

Our charity and community support programme continues. This year we have continued our partnership with the Prince's Trust and their incredible work. In 2019 we made a financial donation of £200,000 to the Prince's Trust and our retail stores continue to work closely with the Prince's Trust foundation. Here are some of the highlights of this year's partnership:

Over 100 Store Managers joined us at the Prince's Trust Manchester centre in September 2019 to learn about the ways they can support young people in their store through fundraising and employability initiatives;

In February 2020 our teams walked 3.5 laps of the world for the Future Steps challenge, raising £1,052 to change the lives of young people;

After hearing that a local café run by Donna, a Prince's Trust Young Ambassador, had been broken into and vandalised, employees self-funded £250 to help her repair the damage;

Our stores raised £1,947 through our annual store fundraising challenge;

We continued to work with the Trust on our employability programmes and supported 44 young people with their development as well as offering job outcomes to 18 young people across the year;

Our annual IT Auction in aid of the Trust raised over £13,323; and

Our colleagues at Head Office continue to freely give up their time to support the charity Shout - a fantastic charity powered by volunteers, that supports individuals facing times of crises and is a place to go for those who are struggling and need help.

In addition to this, our colleagues have continued to engage and support a number of charities in the local area. In order to maximise the breadth of our charitable impact, we have continued to match funds raised by our colleagues to benefit various valuable causes across the globe. During the financial year 2020 we matched £3,395 of our colleague's activities in support of their chosen charitable causes.

Wellbeing

This year we've made large inroads into the support of our colleagues' mental health. We have done this through the establishment of our Healthy Mind Ambassador programme launched in 2019. We took a team of 15 committed colleagues across Superdry and gave them accredited mental health first aid training to take up the roles of Superdry Healthy Mind Ambassadors. We also upskilled the Shout volunteers we have to join our Ambassador group, giving us a total group of 30 employees passionate about driving mental health initiatives across the business. These roles are in place to raise the profile of mental health issues at work, and enable us to provide personal additional support to all colleagues through a network of well-trained colleagues. Our fantastic ambassadors are identifiable around the office by their unique blue lanyards.

We continue to provide independent and local support for every colleague globally through our Employee Assistance Programmes, ensuring that every colleague has the opportunity to access free advice and face to face counselling where needed, on subjects ranging from mental health through to financial planning and support.

Modern Slavery Act (2015)

Our Modern Slavery programme incorporates the principles of the California Transparency in Supply Chains Act (2010) and the Modern Slavery Act (2015) by working to prevent human trafficking and slave labour within our business and across our supply chain.

We are now in our fourth reporting year and our Modern Slavery statement will be published alongside this report on our website.

Covid Impact: Factory Conditions

CASE STUDY

During the Covid pandemic we extended factory re-audit timelines to respect local operating requirements.

At the time of writing this report, our teams of dedicated ethical trading experts continue to work with factories to track conditions remotely – providing online training, and following up with interviews and systems assessments covering health and wellbeing, in line with local requirements and WHO Health and Safety guidelines.

Audit processes have been revised to account for additional Covid requirements, with monitoring restarting as countries relax lockdown measures.

Progress Report: Planet

We understand that using resources sustainably minimises our impact on the natural environment and very much constitutes the ‘right’ way to do business. Our environmental focus spans our entire direct and core indirect business operations.

Superdry is committed to supporting the achievement of ‘SDG 12 – Responsible Consumption and Production’ in our approach to packaging and waste, as well as ‘SDG 7 – Clean and Affordable Energy’ and ‘SDG 13 – Climate Action’ through reducing our energy consumption and greenhouse gas emissions.

Packaging

In 2019, Superdry became a signatory to the Ellen Macarthur Foundation’s ‘New Plastics Economy’ charter aimed at championing ‘Elimination’, ‘Innovation’ and ‘Circulation’ to ensure plastics never become waste or pollution. By 2025 we will:

1. Only use packaging where necessary, with 100% of the packaging we must use being reusable, recyclable or compostable; and
2. Move from single use to reuse models where possible, supporting a closed loop economy whereby all our plastic packaging contains a minimum of 70% recycled content.

In FY20, we successfully introduced:

1. A 6% lighter, 100% ‘FSC Recycled’ paper carrier bag. This new bag is fully recyclable due to an innovative knitted paper handle;
2. A 17% lighter Ecommerce bag utilising 50% recycled plastic;
3. Craft card packaging to replace plastic boxes used for packaging underwear, loungewear, socks, belts, and flip-flops;
4. 100% recycled plastic swimwear hangers; and
5. 100% Recycled Polyester Care Labels.

We will continue to work towards our 2025 goal prioritising Reduce, Reuse, and Recycle.

Faulty Garments

We continue to donate unsellable product to our partners Newlife, the Charity for Disabled Children. Our garments are de-branded and sold by Newlife, contributing £561,033 to the charity this year.

This approach eliminates any need for landfill and extends the life of these garments – making maximum use of the embedded energy and water consumed during the manufacturing process.

100% Renewable Electricity

Superdry will be a 100% renewable electricity brand by 2030 in order to maximise our contribution towards SDG 7 and reduce our carbon emissions to support SDG 13.

We will bring a positive shift towards renewable energy use and therefore zero carbon emissions, globally, by switching electricity sources across both our own and our key value chain partners.

1. All Superdry global stores and offices (248 stores and 31 offices and showrooms) switched by 2020: We achieved this goal in 2018 and continue to maintain 100% renewable electricity in our own operations.
2. All global distribution partners (4 Primary Distribution Centres + 13 Warehouses and Consolidation Centres) switched by 2025: Two of our primary global distribution centres switched to 100% renewable electricity during this year, increasing our progress on this goal to 25%. The rooftop solar array at our UK distribution centre (operated by Clipper) generated 14% of its own electricity needs and we are exploring options to install further solar arrays with our other partners.
3. Main global franchise partners switched by 2030: we have undertaken an initial energy consumption mapping exercise of our franchise partners. The next step will map the use of renewable electricity against this to baseline our progress against this goal.
4. Main global supplier factories switched by 2030: we continue to improve our understanding of energy consumption and use of renewable electricity throughout our supplier factories. This year, 18% of our key factories generated their own renewable electricity on site. We will continue to improve this data to track this milestone accurately.

Where possible, we champion installing renewable power on site. Where we must purchase it, we support national renewable generation, specifically wind and solar power using Energy Attribute Certificates (EACs).

Our global gas consumption accounts for just 3% of our owned global energy use; however, we are actively exploring the use of renewable gas where possible.

ISO 50001: Energy Management Systems

In addition to close monitoring and reduction of our direct energy use (see Energy and Carbon reporting section), this year we began working with our main supplier factories to do the same, by supporting them to adopt the internationally recognised ISO 50001 standard for Energy Management Systems.

This standard ensures widespread adoption of the best energy management practices across our main supplier factories by providing a proven approach to develop an energy management plan that addresses critical aspects of their energy performance.

Certification enables our factories to have control of their own system to continually improve their energy performance. Within the first seven months of engaging suppliers for our pilot phase, six out of our 38 key factories (16%) have achieved certification.

Energy and Carbon Reporting

Our Energy Use

We measure our energy performance through an efficiency measure using both our total floor area occupied and our annual revenue. This allows us to track our performance within changing market conditions and a growth in online sales.

	FY14 (Baseline)	FY19	**FY20**
Total Global Energy Use (MWh)	18,137	27,511	**24,946**
Change from Baseline (%)	–	51.7%	**37.5%**
Global Energy Efficiency (kWh/m^2)	294.3	193.8	**183.0**
Change from Baseline (%)	–	-34.1%	**-37.8%**
Global Energy Efficiency (MWh/£m)	42.09	31.56	**35.36**
Change from Baseline (%)	–	-25.0%	**-16.0%**
Global Retail Electricity Efficiency (kWh/m^2)	317.8	210.7	**195.5**
Change from Baseline (%)	–	-33.7%	**-38.5**

Our absolute energy use decreased in FY19, owing to both the impact of Covid-19 towards the latter end of the year, as well as a small decrease in the size of our estate. Compared with our FY14 baseline, however, we have seen an increase of 37.5% linked to our growth in business both in an increased physical presence through our stores and increased workforce across our global offices.

We previously set a goal to improve energy efficiency (kWh/m^2) across our global retail estate by 35% by 2020 compared to a 2014 baseline. This year we met that goal with a 38.5% improvement on our FY14 baseline (a 4.8 percentage point improvement over last year) and resulting in a saving of 3,831 tonnes of CO_2e emissions. This reduction includes the impact of Covid-19 on our energy consumption; however, prior to closing all stores in March 2020, we were on track to meet our goal, achieving 34.4% energy reduction.

We achieved this saving through continued installation of Building Management Systems (BMS) within our retail estate, allowing us to implement optimised building control strategies. In FY20, we installed eight new BMS systems which, based on historic savings from similar systems, will achieve 20–25% energy reductions in those stores. We also continued with our rolling asset upgrade programme including lighting, heating and cooling equipment, such as replacing all lighting with LEDs as and when the old lights break.

Having met our initial target, we are now reviewing future opportunities for further savings.

We closely scrutinise our energy data and this year we were required to comply with both ESOS compliance in the UK and Article 8 compliance in Germany and Italy, which we successfully did. We received recommendations, which we can use to verify consumption and identify further savings to help achieve future goals.

First five factories successfully certified

CASE STUDY

We initially approached three Turkish suppliers to pilot the ISO 50001 certification process.

The process includes creating an internal implementation team, training, document creation, an onsite energy audit and a two-stage certification audit.

The onsite energy audit provides a useful tool for the factory to track energy consumption as well as highlighting energy saving opportunities. Opportunities identified include optimising boilers, upgrading air compressors, switching lights for LEDs, insulatiing valves and fixing air leaks.

Each site developed an implementation plan for the improvements within a few months.

Between these three suppliers 1.3Gwh of energy saving potential was identified, relating to an average saving of 18% per factory, most of which were implemented in the first six months.

Progress Report: Planet

CONTINUED

100%

of electricity used by our stores and offices is from renewable sources

38%

improvement in energy efficiency between 2014 and 2020

Global Greenhouse Gas Emissions (Tonnes CO_2 equivalents)

	FY19 (1 May 2018 to 30 April 2019)	**FY20 (1 May 2019 to 30 April 2020)**
Scope 1: Combustion of fuel and operation of facilities	301	**163**
Scope 2: Electricity, heat, steam and cooling purchased for own use – Location based method	8,457	**7,264**
Scope 2: Electricity, heat, steam and cooling purchased for own use – Market based method	149	**200**
Total of Scope 1 & 2 Emissions (Location based Scope 2 emissions)	8,758	**7,426**
% Change on FY19	–	**-15.2%**
Emissions Efficiency (Location based Scope 2 emissions) (Tonnes CO_2e / £m Revenue)	10.05	**10.53**
% Change on FY19	–	**+4.8%**

We amended our process of reporting this year to account for challenges related to Covid-19 at the time of writing this report.

1. We are delaying release of Scope 3 emissions to later in the year. These figures will be published on our website.
2. Although we have followed rigorous internal checking processes on accuracy, we have not assured our Carbon Emissions to the AA1000 Assurance Standard, as in prior years. We will resume the assurance or verification process next year.

We measure our annual operational carbon footprint, to provide us growing insight into where our largest climate impacts are and set appropriate and positive ambitions. Although our normalised emissions (Tonnes CO_2e / £m revenue) increased by 4.8% over the past 12 months due to a reduction in revenue, this represents a 41.5% reduction compared with our FY14 baseline year 18.01 Tonnes CO_2e / £m Revenue, continuing our long term trend of reduced environmental impact.

In absolute terms our carbon emissions reduced by 15.2%. This is a result of reduced gas consumption at our head office, an improvement in electrical efficiency in our stores and a decline in the emission intensity of grid electricity, especially in the UK.

As per the guidance, we also track and report our 'Scope 2' emissions using a 'market based' method, which allows us to demonstrate our reduced environmental impact as we choose to purchase 100% renewable electricity. The 'market based' method shows the emissions created from the generation of electricity supplied specifically to our estate rather than using a 'grid average' of all generating technologies, as per the 'location based' method instead. We therefore report zero GHG emissions for electricity within the 'market based' method, as 100% of electricity we use is from renewable sources. The remaining emissions within our 'market based' Scope 2 emissions relate to a small volume of heating and cooling purchased for certain stores, where we are not able to switch the source of this energy to renewable. Our absolute market-based emissions show a 19.6% reduction vs last year, due to efficiency improvements in non-electrical energy.

GHG emission methodology

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. We report our emissions data using a financial control approach, meaning we include emissions from all parts of the business where we have the ability to direct financial and operating policies — this includes our owned and operated retail stores and office space. Data has been prepared in accordance with the WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standard (revised edition), WRI/WBCSD GHG Protocol Scope 2 Guidance 2015 and emission factors from the DEFRA GHG Conversion Factors for Company Reporting 2019.

Although we strive to ensure the source data used to calculate our emission figures is accurate, access to actual consumption data is not always possible. Some estimation is therefore necessary, with 13.5% of our emissions this year calculated from estimated source data.

Conclusion

Overall we have seen some great progress in FY20 and we will be looking to build on these learnings and extend our targets from FY21 and beyond. We are committed to driving positive change across the Superdry brand, our supply base, with our wider partners and through our industry and moving the conversation towards a future of sustainable fashion.


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Superdry plc
Annual Report 2020

Governance

PETER WILLIAMS
Chairman

"Corporate governance is the foundation upon which a sustainable business is built."

Governance

Corporate Governance Report

Chairman's Governance Review

Compliance with the UK Corporate Governance Code 2018 (the 'Code')

I am pleased to introduce this year's Corporate Governance Report. Good governance is the foundation for long-term sustainable growth and Superdry is committed to fully complying with the new Code. During this financial year, Superdry has complied with the provisions of the Code, with three exceptions, which are fully explained in this report.

How we have applied the Principles of the Code

Board leadership and company purpose

Superdry's corporate governance framework ensures that the Board is composed of committed and experienced individuals who work effectively together to promote long-term sustainable success for all stakeholders. This is initially achieved via a careful selection process which aims to recruit suitably experienced, high calibre candidates. Service contracts set out our expectations and the anticipated time requirements for our Board members. We have an established induction process for new Directors in order to assimilate them with the culture and practices of the Group.

We design, produce and sell premium-branded apparel to a global marketplace. We have a clear set of values, endorsed by colleagues, in order for them to understand and participate in our Superdry culture. The Board approves and monitors strategy, which is developed and led by the Executive team. The Board meets regularly and reviews detailed information from all areas of the business to monitor progress against business objectives. The Board receives detailed reports on, and analysis of, financial and operational management information to allow for the appropriate allocation of resources. The reports contain key performance indicators to allow progress to be monitored effectively.

A framework of internal controls is in place and is reviewed on an annual basis to ensure it remains effective. A risk management and mitigation framework is in place, to allow the Board to have oversight of risk via regular risk reports.

The Group's stakeholders have been identified; the Board engages with its stakeholders and the Board regularly considers stakeholders during its decision-making process. For further information please refer to our Section 172 statement on page 24.

Workforce policies and practices are aligned to our values and promote long-term sustainable success. As well as via traditional internal processes, our colleagues are able to raise concerns via our formal workforce engagement forum, Superdry Voice, or via the workforce engagement designated Independent Non-Executive Director ('NED'). A forum for female leaders in the business meets regularly and escalates any concerns to the Executive Committee. The Group also operates an independent and confidential whistleblowing line.

Division of responsibilities

The recruitment processes in place at Superdry, using specialist search agents where necessary, ensures that the positions of Chairman of the Board, Executive Directors and NEDs are occupied by persons of appropriate calibre and standing. With the support of the company secretariat, the Chairman ensures that the Board receives the right level of accurate information, in advance of meetings. All NEDs were considered to be independent on appointment (for further information on independence, please see below). A majority of the Board are independent NEDs and there is a clear division of responsibilities between Executives and NEDs. NEDs have sufficient time to discharge their duties and their service contracts specify the time commitments expected of them. Our NEDs regularly challenge and scrutinise the Executive leadership of the Group to hold management to account. The Company Secretary and their deputy each support the Board to ensure that they are equipped to perform their tasks effectively, with regular and open lines of communication and a willingness to provide the levels of support that are required.

Composition, succession and evaluation

There is a formal and robust process for the appointment of new directors to the Board. Candidate lists are drawn up with the assistance of specialist search agencies and initial interviews are conducted by the Chairman of the Board. Suitable candidates are shortlisted for longer, in-depth interviews with NEDs and Executive Directors. Candidates are scrutinised to ensure that they have sufficient time to dedicate themselves to the role and their relevant skills, knowledge and experience is weighed up against those that are already in place. Once the best overall candidate has been identified, a recommendation is made by the Nomination Committee to the Board, which has responsibility for all Board appointments. Succession plans are in place and are reviewed by the Board and Nomination Committee on a regular basis. The Board believes that a diverse Board and senior leadership team, consisting of directors and colleagues from a range of different backgrounds and with a mix of gender, ethnicity, skills, knowledge, life and professional experiences, promotes both better decision making and long-term sustainable strategic and business success. The Board believes that it has the right balance of skills, experience and knowledge to perform its duties effectively, but remains mindful of the need to keep its composition under regular review. The Board considers length of service on an annual basis, prior to sending out notice of its annual general meeting ('AGM'). An annual Board evaluation takes place, with externally facilitated evaluations scheduled to take place every three years. Composition, diversity, how effectively the Board works together and the effectiveness of each director's individual contribution are each assessed.

Audit, risk and internal control

The Group has an Audit Committee, to which it delegates responsibility for the oversight of the internal and external audit functions and the integrity of the annual report. The Board reviews the annual report to ensure that it presents a fair, balanced and understandable assessment of the Group's position and prospects. Risk management and internal controls frameworks have been established and the Group's principal risks have been determined and are set out in a risk register, which is regularly reviewed and considered.

Remuneration

The Group has a remuneration policy in place, which is scheduled for review every three years, and is subject to consultation with our largest shareholders and with investor advisory agencies. The policy is set before shareholders for approval at our AGM. Full details of our remuneration policy can be found in the Directors' Remuneration Report ('DRR') on page 85, including the alignment of remuneration to the Group's purpose and values and how we link remuneration to long-term strategy. Formal and transparent procedures for developing policy on remuneration and on determining director and senior management remuneration are in place – please refer to the DRR for further details. No director is involved in deciding their own remuneration outcome.

Non-compliance with Code provisions

From 2 July 2019 to 11 July 2019, the Board was not able to comply with provision 11 (at least half of the Board should be independent NEDs) – please see our annual report for FY19 for further details of the Board changes that took place as a result of the general meeting held on 2 April 2019. During the same short period, we were also not compliant with provision 12 (appointment of a Senior Independent Director). Helen Weir, who joined the Board on 11 July 2019, became our Senior Independent Director on appointment. In relation to provision 38 (pension contributions to be aligned to those of the workforce), Superdry has reviewed its pension arrangements and has revised its remuneration policy to align pension contributions for all colleagues by the end of FY21. Please refer to the DRR on page 85 for more details.

Governance highlights in FY20

Induction – a new Board

We are a new Board, having come together in July 2019, and our induction process has been on-going throughout FY20. A formal induction day and a strategy day with the Executive and senior leadership teams have been held, alongside informal meetings on a one-to-one basis. Investor engagement has taken place by way of one-to-one meetings with our largest shareholders. Board members have visited a number of UK and European stores and our UK distribution centre.

Engaging with our stakeholders

This year, the Executive team considered and formally identified the Group's main stakeholders and the issues which were of greatest concern to each (for further information on our stakeholders, please refer to our Section 172 statement on page 24). As a new Board, it has been important for us to spend time familiarising ourselves with our stakeholders, in order to understand the issues that impact each of them and that work continues. Dialogue with colleagues plays an important role in enabling the Board's understanding of Superdry's unique culture. The annual Supersay staff engagement and feedback survey in September 2019 gave the Board an important window to colleague sentiment following a period of significant change at Superdry. During FY20, Superdry developed its existing 'Champs' employee engagement forum into a formal colleague engagement forum, Superdry Voice. The forum met for the first time in May 2020. Helen Weir, Senior Independent Director, also became our first designated NED for workforce engagement. For more information on colleague engagement, please refer to page 25.

Remuneration Policy review

Superdry's Remuneration Policy ('Policy') was scheduled to have been reviewed during the course of FY20 and will be put before shareholders at this year's AGM. The Group is facing significant challenges in respect of Covid-19 and, due to the pace of change and the uncertainty surrounding the outlook, the Remuneration Committee has concluded that, at this time, the existing Policy should be rolled forward with only limited changes, in order to ensure Superdry continues to be aligned with developments in good remuneration governance. The Committee may revert with more substantive changes to the Policy for consultation and shareholder approval in advance of the 2023 AGM (i.e. before the end of the next Policy period), should a more normal business environment resume.

Our largest shareholders were consulted on our remuneration policy proposals in June 2020. For further details on that shareholder consultation, please refer to the DRR on page 85.

PETER WILLIAMS
Chairman
20 September 2020

Board of Directors

The Board has collective responsibility for promoting the long-term sustainable success of the Group for all stakeholders and for ensuring that robust and effective governance processes and frameworks are in place to facilitate that outcome. For full biographical details of our Board members and the committees they serve on, please see below.

Peter Williams
Chairman

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Appointed: 2 April 2019

Peter was appointed as a director and Chairman of the Board in April 2019. Peter is Chairman of the Nomination Committee. In his non-executive career, Peter played a major role in the growth of two major online fashion retailers in the UK – at ASOS, he was the Senior Independent Director for eight years during which time the market value grew from £70m to over £4.5bn; and at Boohoo he was Chairman for five years, during which time the market value grew from £560m to £2.2bn. In his executive career he was Chief Executive at both Selfridges plc and Alpha Airports plc. Peter is Chairman of U and I Group plc, the leading property regeneration company; DP Eurasia N.V., owner of the Domino's Pizza franchise in Turkey and Russia; Mister Spex GmbH, the multi-channel retailer for eyewear online and in stores from its base in Berlin; and Sophia Webster, the accessories brand.

Julian Dunkerton
Chief Executive Officer

Appointed: 2 April 2019

Julian is the co-founder of Superdry and a serial entrepreneur. In 2010, he led the listing of Superdry on the London Stock Exchange, at an initial value of £400m. A retail guru, Julian is respected across the industry, winning multiple awards including PLC Entrepreneur of the Year in 2013. A strategic move in 2015 saw Julian become Superdry's Brand Founder and Product Development Director. Julian returned to lead Superdry in 2019, as a director of the Board and CEO, to reignite the original passion and originality of the brand, to invigorate product offering and design, and restore Superdry to its position as a global retail phenomenon.

Nick Gresham
Chief Financial Officer

Appointed: 3 June 2019

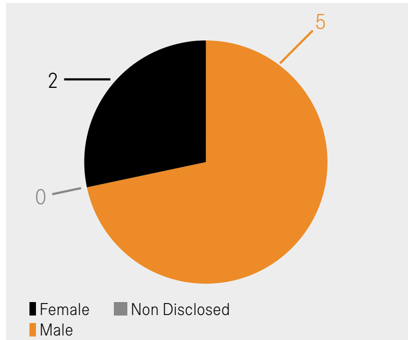
Nick was appointed as a director of the Board and CFO in June 2019. With over 30 years' retail experience, Nick brings a wealth of experience in global multi-channel brands, having worked for Debenhams, Virgin Retail, Home Retail Group, including Finance Director of Argos Financial Services and Homebase, before becoming CFO at Connect Group, a UK-listed specialist distribution company. Nick then went on to be CFO at Oak Furnitureland and at WiggleCRC. A qualified accountant, Nick also brings strong operational controls and strategic thinking to his roles.

Ruth Daniels
Group General Counsel and Company Secretary

Appointed: 3 February 2020

Ruth joined Superdry in February 2020 and brings 30 years of legal, governance and commercial experience from private practice as well as in-house roles at Ancestry.com, CPA Global and Global Media & Entertainment. Ruth has acted for key brands and brings extensive experience of working in digital and international environments, as well as those undergoing transformation. Before qualifying as a lawyer, Ruth began her career in retail.

Board gender split



Committee membership: (A) Audit committee (R) Remuneration committee (N) Nomination committee ● Chair of committee

Faisal Galaria
Independent Non-Executive Director

(A) (R) (N)

Appointed: 29 July 2019

Faisal was appointed as a director of the Board in July 2019. Faisal is a member of each of the Remuneration, Nomination and Audit Committees. Faisal is the CEO of Blippar, a global Augmented Reality technology company. Previously, he was the Chief Strategy and Investment Officer of Gocompare Group, where he helped lead its listing on the London Stock Exchange in November 2016 and oversaw several successful acquisitions. He has held senior roles at a number of leading global digital businesses including Spotify, Kayak.com and Skype and has extensive experience in management consulting, as a partner at Alvarez & Marsal and Andersen. Faisal brings extensive digital expertise to the Superdry Board.

Georgina Harvey
Independent Non-Executive Director

(A) (R) (N)

Appointed: 29 July 2019

Georgina was appointed as a director of the Board in July 2019. Georgina is Chair of the Remuneration Committee and a member of each of the Nomination and Audit Committees. Georgina is an experienced Non-Executive Director and is a member of the Board of McColls Retail Group plc, where she is Senior Independent Director and Chair of the Remuneration Committee, and a member of the board of Capita plc, where she is Chair of the Remuneration Committee. Prior to developing her portfolio career, Georgina spent seven years as managing director of Regionals at Trinity Mirror, sitting on the Executive Committee.

Alastair Miller
Independent Non-Executive Director

(A) (R) (N)

Appointed: 11 July 2019

Alastair was appointed as a director of the Board in July 2019. Alastair is Chairman of the Audit Committee and a member of each of the Nomination and Remuneration Committees. Alastair is a Non-Executive Director of NewRiver REIT plc, a FTSE 250 property investment company specialising in retail assets where he is the Senior Independent Director and Chairman of the Audit Committee. Alastair was Chief Financial Officer at New Look from 2000 until 2014 and was one of the MBO team who helped take the company private in 2004 and led a number of subsequent refinancings. Previously he was the Group Finance Director at RAC, having joined from Price Waterhouse where he was a management consultant. Prior to that, he was Finance Director of a company within the BTR plc Group. Alastair qualified as a Chartered Accountant with Deloitte Haskins and Sells and holds a BSc in Economics.

Helen Weir
Senior Independent Director

(A) (R) (N)

Appointed: 11 July 2019

Helen was appointed as a director of the Board and Senior Independent Director in July 2019. Helen is a member of each of the Audit, Nomination and Remuneration Committees. Helen is a member of the Supervisory Board of Koninklijke Ahold Delhaize NV and a Non-Executive Director of Greencore Group, where she is also a member of the Audit Committee. Helen's previous Non-Executive roles include SABMiller, Royal Mail, and GEMS Education. Helen has extensive experience of publicly quoted companies and retail businesses, having been Finance Director of Marks and Spencer, John Lewis, Lloyds Bank (where she was also the CEO of the Retail Bank) and Kingfisher. Helen is also Non-Executive Director of the RFU and a Trustee of Marie Curie. Helen is a qualified accountant and was awarded the CBE for services to Finance in the 2008 honours list.

Departures during FY20

Dennis Millard, Minnow Powell, John Smith and Sarah Wood left the Board on 1 July 2019, having tendered their resignations following a General Meeting on 2 April 2019.

Simon Callander, Group General Counsel and Company Secretary, left Superdry on 15 January 2020.

For further information on the General Meeting on 2 April 2019, please refer to our Annual Report and Accounts 2019 and also to the results of that meeting, which are available on our website.

Corporate Governance Report

Board meeting attendance

Peter Williams
Member since: 2 April 2019
Meetings attended: **10/10**

Julian Dunkerton
Member since: 2 April 2019
Meetings attended: **10/10**

Nick Gresham
Member since: 3 June 2019
Meetings attended: **8/8**

Helen Weir
Member since: 11 July 2019
Meetings attended: **7/7**

Alastair Miller
Member since: 11 July 2019
Meetings attended: **7/7**

Faisal Galaria
Member since: 29 July 2019
Meetings attended: **7/7**

Georgina Harvey
Member since: 29 July 2019
Meetings attended: **7/7**

Dennis Millard
Resigned: 1 July 2019
Meetings attended: **3/3**

John Smith
Resigned: 1 July 2019
Meetings attended: **3/3**

Sarah Wood
Resigned: 1 July 2019
Meetings attended: **3/3**

Minnow Powell
Resigned: 1 July 2019
Meetings attended: **3/3**

The Board held 10 scheduled meetings in FY20 – the attendance of individuals is set out above. The Chairman ensures that regular meetings are held with the Non-Executive Directors and with the Senior Independent Director, without the presence of the Executive Directors.

Governance framework

Superdry has a corporate governance framework with defined responsibilities and accountabilities. Board committees have been established – full terms of reference are available on our website and are reviewed by the Board annually. Each committee is chaired by a different independent non-executive director. The Board maintains a schedule of matters reserved, which is reviewed annually and is also available on our website. The matters reserved are those matters which affect the Group as a whole, including long-term strategic plans, capital expenditure over a certain level, budgets, approval of financial statements and dividends. The duties of the Chairman and Senior Independent Director are set out in a document and are reviewed regularly – these are also available on our website.

Responsibility for the day-to-day running of the Group is delegated to the Chief Executive Officer, who in turn delegates certain responsibilities to business area heads through the Executive Committee, which is a business operating committee. To ensure that decisions are taken at the right level and to reduce business and operational risk, a delegation of authority matrix is in use, which clearly sets out the authorities given to individuals in the business. The Delegation of Authority matrix is reviewed on an annual basis to ensure it remains relevant to Superdry's structure and activities.

Superdry Plc
Board of Directors

Audit Committee

Nomination Committee

Remuneration Committee

Risk Committee
Membership includes the CFO, the Head of Risk Management and Internal Audit and the Group General Counsel and Company Secretary

Executive Committee
Membership includes the CEO, CFO, Group General Counsel and Company Secretary, HR Director and heads of business areas

The agendas for each scheduled Board meeting contain standing items that cover key business areas to ensure that reporting is balanced. Board papers are circulated in advance of meetings to allow the Board adequate time for review and preparation ahead of the meeting. The right level of information is contained in Board packs to allow full consideration of strategic matters, whilst not over-burdening the Board with an unnecessary level of detail on operational or 'business as usual' matters.

Where directors are not able to attend part of any Board or Committee meeting, they will have reviewed the papers circulated for that meeting and will have provided comments to either the Senior Independent Director or the Group General Counsel and Company Secretary.

Board and Committee calendars are used to ensure that items are scheduled for review at appropriate times in the year and care is taken by the Chairman and Secretary to ensure that sufficient time is allowed for the discussion of agenda items and that stakeholder perspectives are considered. Strategic and business area 'deep dives' are undertaken throughout the year. For further information on the Board's activities in FY20, please see below.

Members of the Executive Committee are invited to attend Board meetings to allow for more in-depth presentations and further examination of specific areas of the business. The table below highlights such occasions during FY20, although it should be noted that a number of detailed presentations were given by Executive team members during the induction and strategy days that took place during FY20. Further details of our Executive team can be found on our website.

Name of attendee	Role	Area examined	Date attended
Phil Dickinson	Creative Director	Brand and consumer segmentation	20 May 2019
Jon Wragg	Wholesale and E-Commerce Director	Ecommerce roadmap	15 November 2019
Lucy Maitland Walker	Global Merchandising Director	Stock Management and Seasonal Buy Activity	30 January 2020
Lucy Maitland Walker Craig McGregor	Global Merchandising Director Retail Director	Store re-opening plans following Covid-19 closures	29 April 2020

Board activities during FY20

Strategy

Strategic change was the subject of significant Board discussion time throughout FY20. The Executive team, led by Chief Executive Officer Julian Dunkerton, implemented a number of immediate changes to the retail strategy in the early part of the year, including the move from a four season model to a two season model and a reduction in discounting and promotional activity. Brand, consumer and design strategies were further developed by Julian Dunkerton in partnership with Creative Director Phil Dickinson, the results of which will be a revitalised Autumn/Winter 20 collection, comprising new 'pinnacle' brands. Short-term areas of focus were also identified by the Executive team, with seven short term strategic goals identified and actions taken to achieve them. Long-term strategy was the subject of two Board strategy days, designed for the Directors to spend time with the Executive team in order to discuss and formulate strategic changes of direction.

US operations

Our US operations have undergone extensive review during FY20 and an update to the Board on progress was given by the CEO in January 2020. Warehouse operations have been consolidated and staffing levels were reduced in both retail and head office operations.

China

The Board has spent time throughout FY20 reviewing the performance of its Chinese joint venture company and considering how operations and profitability in China could be enhanced.

A number of options for the future strategy were considered by the Board, resulting in a decision taken on 18 March 2020 to exit operations under the current joint venture agreement via a solvent liquidation, retaining IP and trading rights in order to re-enter the Chinese market, when it is the right time to do so.

Investor relations

In September 2019, the Board's corporate brokers attended a Board meeting to present on and explore current investor relations and sentiment. Matters for discussion included the perception of Superdry with investors following Julian Dunkerton's return to the business and the on-going strategy for engaging with shareholders.

Half year results and dividend

In December 2019, the Board met to discuss its half-year results and approved the payment of an interim dividend of 2 (two) pence per share. On 6 May 2020 the Board agreed to recommend to shareholders that no final dividend be paid in relation to FY20, resulting in a total ordinary dividend in relation to FY20 of 2 (two) pence per share.

Profits warning in January 2020

In January 2020 the Board met to discuss poorer than anticipated trading results for the Christmas and post-Christmas sale period, set against the very difficult trading conditions experienced by many high street retailers. A trading update was issued by the Board on 10 January 2020, notifying the market that operating profits for FY20 were now anticipated to be lower than forecast.

Covid-19

In March 2020, the impact of Covid-19 resulted in Superdry closing its retail stores and head office. For full details on the impact of Covid-19, please refer to page 06 and in particular to our Section 172 Case Study on page 27. A full update was issued to the market on 18 March 2020.

Preliminary results and trading update

A comprehensive fourth quarter trading update was provided to the market on 7 May 2020, which included the decision to postpone the publishing of our financial results for FY20.

New Financing Facility

In August 2020, the Group entered into a new financing facility, which has given Superdry an increased level of flexibility and liquidity for the future. We have agreed with our existing lenders, HSBC and BNPP, a £70m Asset Backed Lending facility, extending the term until January 2023.

Other governance matters

Non-Executive Director independence and time commitments

The Chairman was considered by the Board to be independent on his appointment on 2 April 2019 by the Board at a meeting held on 1 July 2019. The Chairman ensures that the Board is made up of a majority of independent NEDs, who provide the necessary level of challenge to management.

The independence of the NEDs is reviewed on an annual basis and was reviewed this year as part of the externally facilitated Board evaluation (see below for more information). The time commitments and performance of the NEDs are also reviewed as part of that process; service contracts clearly set out the anticipated time commitments of their roles. Further terms ensure that the Chairman and NEDs continue to meet the requirements of the Code. No NED has exceeded the maximum nine-year term of service noted in the Code.

The Board therefore considers that each of its NEDs continue to be independent and that each continues to dedicate sufficient time to their roles. During FY20, due to the impact on the Group of the Covid-19 pandemic and lockdown, the NEDs spent significant additional time on their Board duties, far exceeding the requirements of their service contracts.

Corporate Governance Report

CONTINUED

Time commitments of the Chairman of the Board

Over the course of FY20, the Board has also carefully considered and reviewed the time commitments of the Chairman, Peter Williams. In addition to his role as Chairman of Superdry, Peter is also Chairman of U and I Group plc and of DP Eurasia NV. The Board believes that from his appointment on 2 April 2019, Peter has demonstrated substantial commitment to his duties as Chairman of the Board, both in terms of the time he has dedicated to the work of the Board and its committees and to the time he has spent working alongside fellow Board members and the Executive team at Superdry.

Directors' conflicts

The Board has established formal procedures for the declaration, review and authorisation of any conflicts of interest of Board members. The Board is satisfied that none of the Directors had any conflicts of interest during FY20, which could not be authorised by the Board.

Director's indemnity insurance

We maintain Directors' and Officers' liability insurance, which provides appropriate cover for any legal action brought against our Directors and/ or Officers. In accordance with section 236 of the Companies Act 2006, qualifying third party indemnity provisions are in place for all Directors of Group companies in respect of liabilities incurred as a result of their office, as far as is permitted by the law.

Board evaluation

A performance evaluation of the Board is completed every year and an externally facilitated evaluation was completed in February 2020 by Lintstock. The evaluation, conducted using a survey-based analysis, provided an opportunity to assess the effectiveness of the Board's decision-making processes and the quality and dynamic of relationships, discussions and deliberations. The Board and individual committees were each evaluated and the effectiveness of the induction process and Board strategy days were also examined. Specific areas of scrutiny included Board composition and diversity, stakeholder oversight, training, time management and the quality of Board support, including Board packs.

The results of the review were caveated by the fact that the Board was still very new – having had only six months together as a Board at the time of the evaluation, and therefore very little time in which to form and build strong working relationships. Overall, the evaluation results were positive. Further work was needed in engaging with and understanding all of the Group's stakeholders. The composition of the Board was rated well, but the possibility of further enhancing the Board's international and digital experience was noted. A number of objectives and actions have been identified, including further focus on strategic direction and the establishment of a number of key metrics for tracking progress.

Lintstock has no connections with either the Group or with any of the directors of Superdry plc.

Risk management and internal controls

The Board confirms that there are processes for identifying and mitigating risks and a system of internal financial and non-financial controls. For further information on Risk Management, please refer to page 42. For further information on our internal controls framework, please refer to page 83 and to the Audit Committee report on page 79. During FY20 the Group undertook a review of its internal controls environment, which continues in the current financial year - for full details please refer to the Audit Committee report, from page 79 onwards.

Whistleblowing arrangements

The Group operates an independent, confidential whistleblowing line for the reporting of unethical conduct in any area of the business. For further information, please refer to page 82.

Re-election of Directors and AGM

At the AGM, all Directors will offer themselves for re-election. We consider the Directors offering themselves for re-election to be effective, committed to their roles and to have sufficient time available to perform their duties. For further information on the specific reasons why each Director's contribution is considered to be important to the Group's long-term sustainable success, please refer to the resolutions proposed in the Notice of the AGM.

Our AGM will take place on 22 October 2020 at 11.30am. This year, we will be holding a closed AGM due to the impact of Covid-19. The notice of AGM, which includes details of how shareholders can ask the Board questions, is available on our website. The Directors consider that each of the proposed resolutions in that notice are in the best interests of the Group and its shareholders as a whole. All resolutions will be put to a poll. Proxy forms allow for shareholders to vote for, against, or to withhold their vote for each resolution. All Board members will attend the AGM.

Approved and signed on behalf of the Board

RUTH DANIELS
Company Secretary
20 September 2020

PETER WILLIAMS
Committee Chairman

Committee membership

- Tenure of Board members is regularly reviewed by the Committee – each member of the current Board was appointed at the end of FY19, or in FY20.
- Prior to joining the Board, the time commitments of all potential Non-Executive Directors are scrutinised to gauge whether or not they have sufficient time to discharge their duties. Independence criteria are carefully examined.





Peter Williams Committee chairman	Faisal Galaria	Georgina Harvey	Helen Weir	Alastair Miller
Member since: 02 Apr 2019	**Member since:** 29 July 2019	**Member since:** 29 July 2019	**Member since:** 11 July 2019	**Member since:** 11 July 2019
Meetings attended: 7/7	**Meetings attended:** 5/5	**Meetings attended:** 5/5	**Meetings attended:** 5/5	**Meetings attended:** 5/5

Departures during the year:

Dennis Millard	John Smith
Resigned 1 July 2019 (Member since 1 Feb 2018)	Resigned 1 July 2019 (Member since 2 April 2019)
Meetings attended: 2/2	**Meetings attended:** 2/2

The Committee held seven scheduled meetings during FY20. In addition to the members of the Committee, the Chief Executive Officer and Group HR Director attended each meeting. The role of Secretary is performed either by the Company Secretary or their nominee. A report on the Committee's activities is given to the Board at each Board meeting that follows a Committee meeting.

Nomination Committee Report

"We continue to work together to put in place the right blend of technical skills, specialist knowledge and diverse experience at Board and senior level to support the transformation of Superdry."

The main focus for the Nomination Committee at the beginning of FY20 was to replenish the Board and senior leadership team with outstanding people who would work collaboratively to start the process of resetting Superdry. With the appointments of Helen Weir and Alastair Miller on 11 July 2019, closely followed by the appointments of Faisal Galaria and Georgina Harvey on 29 July 2019, we believe that we have been successful in doing that. We will closely monitor the needs of the business through the turnaround and are continually considering the skills and technical knowledge that will be required, as we fully implement the new strategy.

Committee activities in FY20

During the period from April to July 2019, the main focus of Committee meetings was the recruitment of a new Board and a number of roles in the senior leadership team. In addition to the recruitment of four Independent Non-Executive directors, the Committee also considered candidates for the roles of Chief Financial Officer and Group HR Director.

After joining Superdry on an interim basis in June 2019, Nick Gresham was appointed Chief Financial Officer in August 2019. In October 2019, Julian Dunkerton, who had been serving on an interim basis since 2 April 2019, was appointed Chief Executive Officer and his contract was extended until April 2021.

In September 2019, Phil Dickinson, Creative Director, joined the Group on a permanent basis and Guy Youll was promoted internally to Group HR Director. In November 2019, the Committee considered and recommended the appointment of Ruth Daniels as Group General Counsel and Company Secretary and, in January 2020, the Committee considered and recommended the appointment of Craig McGregor as Retail Director.

The Committee also considered the appointment of new members to the Executive Committee during FY20, recommending the appointments of Shaun Packe as Sourcing and Sustainability Director and Gordon Knox as Logistics Director in July 2019.

The Committee reviewed the Board's Diversity Policy in June 2019, identifying a need to increase the number of women in senior leadership and executive level roles. The Committee considered an updated Board Diversity and Inclusion Policy in April 2020 – please see below for further information on this and on Diversity and Inclusion at Superdry.

Committee roles and responsibilities

- The Committee regularly reviews the composition and size of the Board and Executive team, taking into consideration the balance of skills (including soft skills such as openness, tact and honesty), experience, knowledge and all forms of diversity. The Committee makes recommendations for changes where appropriate.
- The Committee regularly considers the succession needs of the Board and senior leadership of the Group.
- The Committee ensures that appropriate procedures are in place to enable the nomination, induction, training and evaluation of directors.
- Please refer to our website for the full terms of reference of the Nomination Committee.

Nomination Committee Report

CONTINUED

The Committee considered colleague engagement in September 2019 and oversaw the development of a formal colleague engagement forum, SD Voice, to replace the existing Champions forum (originally set up to drive engagement). The annual colleague engagement survey, Supersay, was also reviewed, and a number of actions were identified. Please refer to pages 24 and 25 for further details of our colleague and stakeholder engagement work. During FY20, Helen Weir was designated as Non-Executive Director to represent colleagues at Board level and to work closely with the new SD Voice forum.

Board Diversity and Inclusion Policy

The Board believes that a diverse Board and senior leadership team, consisting of directors and colleagues from a range of different backgrounds and with a mix of ethnicity, skills, knowledge, life and professional experiences promotes both better decision-making and long-term sustainable strategic and business success.

In April 2020, the Committee reviewed a new Board Diversity and Inclusion Policy and made a number of recommendations for changes. The Committee has asked the Executive team to consider those changes and how the Group's present diversity and inclusion policies and arrangements should be reviewed and updated in order to reflect them. This work continued into FY21 and the Committee reviewed a revised Board Diversity and Inclusion Policy in July 2020. The Superdry Board is fully committed to increasing minority ethnic representation on its Board and in its Executive and senior leadership roles. Superdry recognises that it needs to take more action to help ensure representation from black and minority ethnic communities and the Executive team will present an updated strategy to address diversity and inclusion, which will be communicated in FY21 to all colleagues, to include a wide range of stakeholder views. More information about Superdry's diversity and inclusion policies and practices can be found on our website.

For more information on how Superdry's future strategy is promoting the employment of a greater proportion of women, please refer to page 60 in the People section of our Sustainability report. Please also refer to our Gender Pay Gap reporting on page 103. For details of our Board gender diversity, please refer to the Corporate Governance report on page 72.

Board appointments – process

There is a formal and robust process for the appointment of new Directors to the Board. Candidate lists are drawn up with the assistance of specialist search agencies and initial interviews are conducted by the Chairman of the Board. Suitable candidates are shortlisted for longer, in-depth interviews with Committee members and Executive Directors. Candidates are scrutinised to ensure that they have sufficient time to dedicate themselves to the role and their relevant skills, knowledge and experiences are weighed up against those that are already in place. Once the best overall candidate has been identified, a recommendation is made by the Committee to the Board, which has responsibility for all Board appointments.

A similar process is followed for appointments to the Executive Committee, whereby candidate long lists are drawn up by the Group HR Director, sometimes with the assistance of specialist search agencies. Interviews are then conducted by the Group HR Director and Chief Executive Officer. Shortlisted candidates are then interviewed by other members of the Executive Committee and by members of the Nomination Committee. A proposal is then made to the Nomination Committee, which is responsible for approving all appointments to the Executive Committee to ensure that the Group has the right people in place at senior level.

Where prospective Board and Executive Committee candidates are of equal merit, the Committee will advocate the selection of candidates that will positively enhance the organisation's diversity in all ways.

External search agencies used during FY20 include Korn Ferry, MBS and Odgers Berndtson.

Board composition and succession planning

The Committee regularly reviews the existing and future needs of the Business and is at all times mindful of the Board's objectives on diversity and inclusion. The Committee is aware that the Board's present balance of skills is weighted strongly in the area of financial expertise, but believes that this experience is important to the Group during this turnaround phase. The Committee reviewed the organisational structure, talent management and succession plans of the Group at a meeting in April 2020 and approved a number of objectives and actions to ensure that effective succession plans are in place.

External evaluation

An externally facilitated Board and Committee evaluation took place during March 2020. Please refer to page 76 in the Corporate Governance report for full details.

PETER WILLIAMS
Nomination Committee Chairman
20 September 2020

— ALASTAIR MILLER
Committee Chairman

Committee membership

The Committee consists of the independent Non-Executive Directors (but not the Board Chairman). Alastair Miller is Chairman of the Audit Committee.

Alastair Miller
Committee chairman

Member since: 11 July 2019

Meetings attended: 4/4

Faisal Galaria

Member since: 29 July 2019

Meetings attended: 4/4

Georgina Harvey

Member since: 29 July 2019

Meetings attended: 3*/4

Helen Weir

Member since: 11 July 2019

Meetings attended: 4/4

* Georgina joined the Board in July 2019 and on reviewing the schedule of proposed Board and committee meetings for FY20, confirmed to the Secretary that she would not be able to attend the Audit Committee meeting scheduled for 2 October 2019, due to previously arranged and accepted appointments. The commitments of fellow Board members had meant that it had not been possible to re-schedule the meeting; however Georgina was fully briefed on matters for the meeting by the Committee Chairman prior to the meeting and provided any comments to the Chairman accordingly.

Departures during the year:

Dennis Millard	Minnow Powell	John Smith
Resigned 1 July 2019 (Member since 2 April 2019)	Resigned 1 July 2019 (Member since 1 December 2012)	Resigned 1 July 2019 (Member since 2 April 2019)
Meetings attended: 2/2	**Meetings attended:** 2/2	**Meetings attended:** 2/2

In addition to the members of the Committee, the Chair of the Board, Chief Executive Officer, Chief Financial Officer and the Head of Risk Management and Internal Audit normally attend each meeting. Representatives of the Company's external Auditor, Deloitte, also attend each meeting. From time to time, other heads of business areas are invited to attend the meetings to enable a better understanding of processes, functions and activity. The role of Secretary is performed either by the Company Secretary or their nominee. A report on the Committee's activities is given to the Board at each Board meeting that follows a Committee meeting.

Audit Committee Report

"The Audit Committee provides effective oversight of the financial leadership of the Group, scrutinising financial information, challenging judgements, and regularly reviewing the risk management, internal control and audit systems and processes."

Main roles

- The Committee monitors the integrity of the Group's financial statements, the half-year report and any formal announcements relating to the Group's financial performance, including reviewing significant financial reporting judgements. The Committee receives reports from the Group's external auditor.
- The Committee provides advice, when requested by the Board, on whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.
- The Committee monitors the adequacy and effectiveness of the Group's internal control and risk management systems.
- The Committee reviews and monitors the independence of the external auditor and the objectivity and effectiveness of the external audit process and the audit plan. The Committee ensures that the provision of non-audit services by the external auditor does not impair its independence or objectivity. The Committee recommends the appointment of the external auditor to the Board.

Principal responsibilities

- The Committee reviews all information in the financial statements relating to risk management and audit and keeps under review the effectiveness of the internal audit function and the systems of internal controls and for risk management. The Committee provides oversight of the Group's Risk Committee.
- The Committee reviews and challenges significant accounting policies, whether the Group has followed appropriate accounting standards and the clarity and completeness of financial disclosures.
- The Committee reviews the effectiveness of the Group's internal audit function and ensures that it is adequately resourced.
- Please see below for further information about the independence of the external auditor.
- The full terms of reference for the Audit Committee are available on our website.

Other governance arrangements

The Committee reviews the Group's whistleblowing arrangements on an annual basis.

Introduction from the Committee Chairman

As Chairman of the Audit Committee, I am pleased to present the Audit Committee report for the financial year ended 26 April 2020. This is my first report as Chairman of the Audit Committee and I would like to take this opportunity to thank the previous Chairman, Minnow Powell, for his service to the Committee during his tenure. We are a new Committee, and each of us a new Board member to Superdry, in FY20.

This has been an extraordinary year for reasons already set out in this Annual Report, but it is worth stating that FY20 presented Superdry with a number of additional challenges, such as the implementation of IFRS 16, Brexit uncertainty and difficult trading conditions, before the advent of the Covid-19 pandemic in January 2020. A full examination of the financial impact of Covid-19 on the Group can be found in the statement at the front of the Annual

Audit Committee Report
CONTINUED

Report on page 06, in the CFO review on page 32 and in the How We Manage Our Risks section on page 42. Along with many other listed companies, and in line with FRC guidance, Superdry took the decision in May 2020 to postpone the publication of its FY20 results. This postponement was agreed with the full support of our external auditor in order to allow sufficient time for the preparation of the financial statements and for a fuller consideration of the disclosures that may be required. Covid-19 has placed a substantial additional workload on my colleagues at Superdry and I would like to personally thank each member of our Finance, Legal, Risk Management and Internal Audit teams, who have continued to complete their tasks to the best of their ability, in difficult circumstances and at times with stretched resources. Working remotely, as many businesses were forced to do from March 2020, presented its own challenges for Superdry and for our external auditor, Deloitte, whom I would also like to thank for their additional work on this year's audit. Covid-19 and the many uncertainties around its financial impact has meant that there have been many additional layers of work to complete, diligence to perform and judgements to apply, each of which have been duly considered by this Audit Committee.

The Committee plays an integral role in the governance framework of the Group, using our combined financial and commercial knowledge to probe and to challenge wherever necessary. This report is intended to provide further information on how the Committee has discharged the responsibilities delegated to it by the Board. Those responsibilities and the governance arrangements of the Committee are set out in more detail below.

The biographies of my fellow Committee members (all of whom are Independent Non-Executive Directors) Faisal Galaria, Georgina Harvey and Helen Weir are on page 72 of this report. As required by the Code, at least two members of the Committee are considered by the Board to have competence in accounting and all members have recent and relevant financial experience, alongside significant retail sector expertise.

Committee activities and discussions during FY20

The Committee's meetings follow a standing agenda which covers the key Audit Committee areas of oversight according to its terms of reference: financial information, external audit, internal audit, risk management, internal controls and any other matters which it considers it should review. The overall work of the Committee is governed by an annual calendar, which is reviewed each year.

The principal matters under the Committee's consideration during FY20 can be found below and this is intended to provide shareholders with a more rounded understanding of our work this year.

ALASTAIR MILLER
Audit Committee Chairman
20 September 2020

Financial reporting, accounting judgements and other matters

The Committee reviewed and evaluated the appropriateness of the interim and annual financial statements with management and with the external auditor. At the request of the Board, the Committee considered whether the annual report and accounts, taken as a whole, were fair, balanced and understandable and whether they provided the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The Committee discussed the critical accounting policies, assumptions and estimates, including key accounting judgements, concluding that those estimates, assumptions and judgements were reasonable based on the information available.

The Committee reviewed the going concern and viability of the Group over the longer term, as part of its assessment of the Group's risk.

The Committee's work in FY20 focussed on a number of accounting judgements and on other significant matters, as set out in the table below.

Key accounting judgements

IFRS 16 implementation and impact	The Group first adopted IFRS 16 within its half year accounts in October 2019. The Committee reviewed the approach to IFRS 16 transition and considered the overall impact of the new standard on the financial results. A modified, retrospective approach was applied and the Committee reviewed the key judgements and assumptions used in that model. The result of this standard is that the majority of leases are reflected on the balance sheet, recognising the right to use the asset for an agreed period of time and the associated liability for future payments. Calculations were updated for the year end position and reviewed by the Committee. The net P&L impact of adopting IFRS 16 is a net charge of £1.8m. The right-of-use asset at the year end is £118.0m and the lease liability at the year end is £320.9m.
Fixed asset and goodwill impairment and Company investments in subsidiaries	The Committee reviewed and challenged management's impairment testing of the Group's store cash generating units and goodwill. The Committee considered the appropriateness of the valuation methodologies, the sensitivity analysis performed and the key assumptions underpinning the modelling. This included challenging the projected cash flows, growth rates and discount rates used in the model. The Committee also reviewed the recoverability of the intercompany receivables and carrying value of investments in its subsidiaries, which use the same key assumptions as the goodwill impairment calculations to estimate the value in use of each subsidiary. The Committee considered the sensitivity impact of changes in assumptions and potential additional impairment if performance is adverse to forecast.
China Joint Venture	The Group reviewed its operations in China during FY20 and announced on 18 June 2020 that the joint venture would be put into solvent liquidation. The Committee also reviewed the accounting treatment of the winding up of its operations in China.
Debtors and Bad Debt provisioning	The Committee reviewed the debtor summary, associated aging profiles and the overall provisions for bad debt to ensure that they remained realistic and appropriate, after the consideration of other forms of mitigation, such as deposits and credit insurance.
Covid-19 related additional/ exceptional provisions, including receivables, inventory and costs	As a result of the exceptional impact Covid-19 has had on the Group, a number of additional provisions have been created, including bad debts on receivable balances and obsolescence on inventory. The Committee reviewed the assumptions and estimates behind each of these and satisfied itself that they were reasonable.
Stock valuation	An error associated with the accounting for inventory in the prior year of £3.9m was identified during the year. The error related to the system of recording and allocating cost variances related to freight, duty and other charges, and transfers between warehouses. The accounting for stock has historically been complex and involved a number of different systems. Following the discovery of the error, a review was undertaken to investigate the cause of the error and establish processes to identify and resolve any issues in the future. The Committee reviewed the inventory balance, noting that whilst total inventory had reduced year on year, a provision for obsolescence was required, and supported management's view of the ongoing provision policy.

Audit Committee Report

CONTINUED

Key accounting judgements	
Going Concern and material uncertainty	The Committee reviewed and challenged management's FY21 Budget and medium-term forecast, including the detailed assessment of a number of downside scenarios, predominantly using a reverse stress-test approach. This review focused on the assumptions made regarding the impact of the Covid-19 pandemic on the retail sector and wider economy and specifically to Superdry; and the ability to execute the turnaround plans required to recover brand health and return the business to growth. Following this review, the Committee noted that these risks indicate that a material uncertainty exists and may cast significant doubt on the Group's ability to continue as a going concern. The material uncertainty relates to: • The recovery in consumer demand, and the Group's ability to capture this during the AW20 reset season; and, • The ability of the Group to meet the new covenants from debt providers in the next 12 months. The Directors have assessed the liquidity requirements of the Group under these downside scenarios and believe them to be adequate. The detail behind this conclusion can be found in the Assessment of the Group's Prospects on page 38.
Other matters	
Five year plan	The Committee have reviewed the long term planning assumptions used in the going concern and viability considerations as well as in the calculations for impairment. Whilst there remains a high level of uncertainty as a result of Covid-19 and the macro-economic outlook, the Committee's stress testing, along with external diligence, supports the plan adopted.
Internal controls framework review	The identification of a prior year stock accounting adjustment in December 2019 (described in Note 36), and an internal audit review highlighting significant control weaknesses in Credit Control, Accounts Receivable and the IT environment raises a challenge to the effectiveness of the internal control environment throughout the period under review. In response to the challenge, a review of the Group's key internal controls was undertaken, including both financial and non-financial processes. The Committee reviewed the scope and progress of this project throughout the second half of the financial year, approving external expertise support from PWC. For further information about this review, please see the 'Review of the Effectiveness of Internal Controls' section below.
Risk Management – policy, processes and principal risks and uncertainties	The Risk Management processes and principal risks and uncertainties were reviewed during FY20. A new Risk Management Policy was also approved by the Committee. For further information please refer to 'How We Manage Our Risks' on page 42.
Information technology and Information Security	The Committee reviewed an analysis of the current state of the Group's information technology capabilities and structures and its information security maturity, concluding that a roadmap for ongoing improvements against an external benchmark had been implemented during FY20 and that work would continue in the current financial year.
Treasury Policy	The Committee reviewed and approved an updated Treasury Policy, including changes to strengthen controls around treasury management and improve hedging policy and visibility through updated reporting.
Annual Report	The Committee reviewed this Annual Report and the disclosures contained within it, concluding that the report was fair, balanced and understandable.

Areas of focus for FY21

As we move into FY21, areas of Committee focus will be the continuing impact of Covid-19 and implications of this across the business on customers, colleagues and operational processes as well as monitoring the impact on financial results which could impact covenants and future property related matters, including impairment and right of use asset valuations. The Committee will also focus on monitoring the work being carried out to reduce any disruptive impact that Brexit may have on the Group. In addition, there will be focus on the changing IT security landscape and required improvements, including support from external partners to assess progress, as well as the continuing project to substantially improve the control environment, ensuring all control deficiencies in the Auditor's report are captured and embedded within the new controls framework into the business, monitoring ongoing compliance and recommending continuous improvement.

External evaluation

An externally facilitated Board and Committee evaluation took place during 2020. As Chairman, I am pleased with the honest reflections from my Committee colleagues, noting that we have a great deal of financial experience to support the Committee and, notwithstanding that the Committee members are all relatively new to Superdry, the Audit Committee is functioning well. Please refer to page 76 in the Corporate Governance Report for further details on the external evaluation.

Whistleblowing arrangements

The Group has a Whistleblowing Policy and an independent, externally facilitated Whistleblowing line is in operation. The Committee has reviewed Whistleblowing arrangements and found them to be fit for purpose. The Committee is satisfied that colleagues continue to have the opportunity to raise concerns in confidence about possible fraudulent activity or unethical behaviour. The Committee is also satisfied that arrangements are in place for the full investigation and escalation of matters reported to the whistleblowing line. During the year the Committee received a summary report of the calls received by the whistleblowing line and an update on instances of reported fraud, if any.

Bribery Act

Controls are in place to ensure ongoing compliance with the Bribery Act 2010. The Committee reviews on an annual basis a report on the Group's gift register, which includes gifts and hospitality received by colleagues from external business relationships, above an agreed threshold.

Internal audit

The Group's internal audit plan is developed by the Head of Internal Audit, Risk Management and Business Continuity and agreed with the Audit Committee.

During the year, internal audit activity has been undertaken in the following key areas: Stock, Accounts Receivable and Credit Control, Business Continuity and Cyber maturity. The Head of Internal Audit, Risk Management and Business Continuity has also led the business' response to the Covid-19 crisis. The findings and agreed actions from internal audit reviews are agreed with the relevant business area, communicated to the Audit Committee and tracked through to completion.

The plan is subject to ongoing review throughout the year so that it remains relevant and adapts to any changing circumstances. For example, following the identification of the prior year stock adjustment and the subsequent independent audit of the area, it was decided that the internal audit function works with management to develop an internal controls framework. The internal controls framework will form the basis of future internal audit plans.

The Head of Internal Audit, Risk Management and Business Continuity attended all Audit Committee meetings, has direct access to all Committee members and has met the Committee Chairman and Committee members separately. At each meeting, the Committee was provided with updates on the audit plan, work undertaken, findings and agreed actions from internal audit reviews, and progress on the implementation of agreed actions. These updates, the interaction with the Head of Internal Audit, Risk Management and Business Continuity and a review of the resources available enable the Committee to consider the effectiveness of the internal audit function. To further strengthen the internal audit function, an Internal Audit Manager was appointed in February 2020.

Review of the effectiveness of internal controls

As discussed in the 'Other Matters' section above, in response to the challenge to its effectiveness, a review of the internal controls environment was undertaken by an internal project team, assisted by PWC, in the last quarter of FY20. For each key financial and non-financial control area, workshops were held with the process owners to: develop a framework of expected controls to address risks to the business; assess the current operating effectiveness of controls; agree and manage an action plan of remediating control failures and implement further controls identified as part of the framework; and to embed the new framework into the business with a system of monitoring progress established. The majority of actions were completed before 31 July 2020 and the remainder are scheduled for completion by the end of December 2020, although the disruption caused by the impact of the Covid-19 pandemic may influence this timing. Actions identified included improvements to IT controls, including access and segregation of duties, and financial review controls and processes and balance sheet reconciliations. Where actions could not be completed by the year end or there were potential gaps in the effectiveness of the controls during the year, a review of the potential impact on the financial statements was undertaken and other compensatory controls identified to provide confidence that there was no material risk of error. This included performing detailed, transaction verification in certain areas. The deferral of the announcement of our FY20 results has provided more time for both the finance team and the external auditors to undertake this additional work which has contributed significantly to the size of the audit fee. In particular, issues around month end closure routines have been identified by Deloitte which need to be included in the internal controls framework project and addressed as a matter of urgency. The completion of this project during FY21 will be overseen by the CFO and Head of Internal Audit, with additional resource and will report regularly to the Audit Committee.

In conjunction with the internal controls framework project, a separate project reviewing stock variances following the identification of the prior year adjustment was instigated. This reviewed the interaction between the different stock systems for individual transactions that were posted to the accounts. As a result of the project, new processes have been implemented and additional monthly reconciliations undertaken, with key steps identified to resolve any material differences.

The controls framework developed is designed to manage the risk that is inherent in pursuit of our business strategy and objectives and to provide reasonable assurance against material misstatement or loss. During FY21, outstanding remedial actions will be completed. A programme to embed the controls framework into the business and to monitor ongoing compliance and further improvements to the control environment has been established. The project has been useful in reminding the business of the need to continue to challenge the effectiveness of the controls environment and to look for ongoing improvements. It has identified the interaction of controls between processes and their reliance on common controls and emphasised the importance of the timely resolution of issues identified by reconciliations and other checks within the control process.

The Audit Committee will be regularly updated on progress and compliance during FY21. The Committee will continue to review the effectiveness of the programme implemented and any further actions or recommendations to improve the internal controls environment, including control observations raised by the external audit of the FY20 financial statements. Management, based on the review of the control environment described above and in the financial statements close process, have provided the Committee with assurance that there are sufficient controls or mitigating actions in place to conclude that the financial statements contain no material errors. It is recognised that there will be further improvements in the current year with the completion of the remaining remediation actions.

Effectiveness of external audit

A review of the effectiveness of the FY19 external audit, undertaken by an internal survey of members of the Committee, the Chief Financial Officer, and the internal finance team, was undertaken and the results considered by the Committee in October 2019. The review adopted the Financial Reporting Council ('FRC') guidance on effectiveness. The review concluded that the external audit was executed effectively by Deloitte.

The FRC's Audit Quality Review team selected to review the audit of the Group's FY19 financial statements as part of its annual inspection of audit firms. The focus of the review and the team's reporting is on identifying areas where improvements are required rather than highlighting areas performed to or above the expected level. The Chairman of the Audit Committee received a full copy of the findings of the Audit Quality Review team and has discussed these with Deloitte. The Committee confirmed that there were no significant areas for improvement identified within the report and was satisfied that there is nothing within the report which might have a bearing on the audit appointment.

Audit Committee Report

CONTINUED

Supervision of the external auditors

The Committee oversees the external auditors by reviewing, challenging, and approving the audit plan and ensuring that it is consistent with the scope of the audit engagement. The Committee meets regularly with the external auditors, both with and without management present. During the review of the audit plan, the Committee discussed and agreed those financial statement risk areas identified by the auditors that required additional audit emphasis, including newly adopted IFRS 16 and the impact on the Group of the Covid-19 pandemic and global economic uncertainly. The Committee discussed and challenged the auditor's assessment of materiality, including the level for reporting unadjusted differences. The audit opinion on pages 112 to 126 provides a full explanation of the scope of the audit, concept of materiality and key accounting and reporting judgements.

Independence of external auditors

Auditor independence is maintained by reviewing Deloitte's confirmation of their independence and monitoring the nature and value of non-audit services carried out. The Committee will continue to ensure that employees of the external auditors who have worked on the audit in the past two years are not appointed, without prior approval of the Committee, to senior financial positions within the Group. In addition, the rotation of the lead partner occurs every five years.

The Committee assessed the independence of the external auditors and concluded that they were independent.

Reappointment of auditor

Following a formal tender process in 2017, Deloitte LLP was appointed as Auditor at the 2017 AGM. The senior statutory auditor, Ed Hanson, has overseen the audit of the Group since the financial period ended 28 April 2018. The Group intends to put the external audit out to tender at least as often as is required by applicable law, rules, regulations and best practice in line with the Competition and Markets Authority and EU requirements for mandatory tendering and rotation of the audit firm. Under current regulations the external audit must be put out to tender by 2027. The Group has complied with The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Processes and Audit Committee Responsibilities) Order 2014 (Article 7.1) during the financial year. With respect to the re-appointment of Deloitte as auditor, their performance and the quality of the audit was an important consideration for the Committee. The Committee has recommended to the Board that Deloitte be re-appointed at the forthcoming AGM.

Audit fees

The Committee was satisfied that the level of audit fees payable in respect of the audit services provided of £1,750,000 (FY19: £961,000) was appropriate. The Committee noted that the increase in fees was commensurate with the additional work undertaken by the external auditor in relation to the complexity of the FY20 audit.

Non-audit services

The general policy in respect of non-audit work by the external auditors is that they should not be requested to carry out a prohibited non-audit service as defined under provision 5.167 of the Financial Reporting Council's Ethical Standard and/or non-audit services on any material activity of the Group where they may, in the future, be required to give an audit opinion or act as management, in accordance with the Audit Practices Board's Ethical Standard for Auditors.

In certain limited areas it is in the Group's and its shareholders' interests to engage the external audit firm to deliver certain services. To protect auditor objectivity and independence the Committee approves each individual non-audit service that is not considered to be 'clearly trivial' (less than £10,000 in value) and every piece of work, once an agreed threshold, which is capped at a value equivalent to the audit fee, is reached. The level of non-audit fees are monitored to ensure they do not exceed 70% of the average annual statutory audit fees payable over the last three years.

Details of all non-audit services provided during the year are set out within the note on Auditor's remuneration in note 10 on page 147 in the Financial Statements and are summarised in the table below:

	2020 £'000	2019 £'000
Total audit fees payable to the Company's Auditors and its associates	**1,750**	961
Non-audit fees		
Audit-related assurance services	**200**	41
All other services	**-**	-
Total non-audit fees	**200**	41
Audit fees as a percentage of total auditor remuneration	**89.7%**	89.4%
Total Auditor's remuneration	**1,950**	1,075

Non-audit fees were 10.3% and were incurred in respect of the interim review.

The Committee has reviewed and agreed the non-audit services as set out above provided by the external auditors, together with the associated fees, and is satisfied that these did not prejudice the external Auditor's independence or objectivity.

ALASTAIR MILLER
Audit Committee Chairman
20 September 2020

Directors' Remuneration Report

— GEORGINA HARVEY
Committee Chair

Principal responsibilities

- Review workforce remuneration and remuneration policy to ensure that it is aligned with the Group's strategy, culture and values whilst promoting its long-term success;
- Responsibility for all elements of the remuneration of the Executive Directors and senior Executives and the design of and targets for annual and long-term performance related pay;
- To put in place a remuneration framework and policy that attracts, retains and motivates executive management who will successfully and sustainably run the Group for the benefit of shareholders as a whole, whilst having regard to the views of all stakeholders;
- When setting the policy, have regard to pay and employment conditions across the Group; and
- Exercise independent judgement and discretion when approving remuneration outcomes.

Membership and meeting attendance

The Committee met eight times during the year. In addition to the members of the Committee, the Chief Executive Officer (or Interim Chief Executive Officer) and the Group HR Director attended each of the meetings. By invitation of the Committee Chairman, other Non-Executive Directors attended meetings of the Committee during the year.

The role of secretary to the Committee is performed by the Company Secretary or her nominee. A report on the Committee's activities is given to the Board at each Board meeting, following a meeting of the Committee.

Georgina Harvey
Committee chair
Member since: 29 July 2019
Meetings attended: **5/5**

Faisal Galaria
Member since: 29 July 2019
Meetings attended: **5/5**

Helen Weir
Member since: 11 July 2019
Meetings attended: **5/5**

Alastair Miller
Member since: 11 July 2019
Meetings attended: **5/5**

Departures during the year:

Peter Williams	Dennis Millard	John Smith	Sara Wood	Minnow Powell
Resigned 11 Sept 2019 (Member since 2 April 2019)	Resigned 1 July 2019 (Member since 2 April 2019)	Resigned 1 July 2019 (Member since 1 Feb 2018)	Resigned 1 July 2019 (Member since 1 Oct 2018)	Resigned 1 July 2019 (Member since 1 Dec 2017)
Meetings attended: 4/4	Meetings attended: 3/3	Meetings attended: 3/3	Meetings attended: 3/3	Meetings attended: 3/3

Part 1: Annual Statement

Dear shareholders, on behalf of the Board, I am pleased to present our FY20 Directors' Remuneration Report for the financial period ending 25 April 2020, my first as Chair of the Committee.

This year, in conjunction with our regular duties, the Committee has been preparing and discussing an updated Remuneration Policy and we have consulted with our major shareholders on our proposed Policy which will be presented for approval at the 2020 AGM. I would like to thank those shareholders who have participated in this process for their feedback and guidance, which resulted in a change to the original proposals.

As I write, the Committee is continuing to consider the impacts of Covid-19 on remuneration at Superdry. We have faced significant challenges in respect of Covid-19 and these are certainly unprecedented times for all of our stakeholders. As such, the Committee has undertaken the following actions:

- Base salaries for the CEO and CFO and fees for Non-Executives were reduced by 25% from 1 April 2020, whilst base salaries for the Executive committee were reduced by 20%. The reduction continued until 30 June 2020 for the CFO and Executive Committee and will continue until 30 September 2020 for the CEO and Non-Executive Directors;
- Pension provision for incumbent Directors (7.5% of salary) will be reduced to align it with the general workforce provision (4% of salary) by the end of the financial year ending 24 April 2021. Pension provision for new appointments will also be workforce aligned as per the Policy change explained below; and
- No annual bonus will be operated during the 2020/21 financial year for Executive Directors given the current climate of uncertainty.

In respect of our Remuneration Policy, which will shortly reach the end of its three-year life, due to the impact of Covid-19 and general economic uncertainty, the Committee has concluded that at this time, the existing Remuneration Policy should be rolled forward with only limited changes in order to ensure Superdry continues to be aligned with developments in good remuneration governance. That said, the Committee may revert with more substantive changes to the Policy for consultation and shareholder approval in advance of the 2023 AGM (i.e. before the end of the next Policy period) once a more normal business environment exists.

Directors' Remuneration Report

CONTINUED

Preparation of this Report

This report has been prepared in accordance with the Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2013, as amended, and the principles of the prevailing UK Corporate Governance Code. As required, this report is split into three sections:

- This **Annual Statement** of the Remuneration Committee Chair for the period ended 25 April 2020, which summarises remuneration outcomes and how the Remuneration Policy will operate for the financial year 2021;
- The **Remuneration Policy Report**, which sets out our new Remuneration Policy which will be subject to a binding vote at our 2020 AGM, given that the current Policy is reaching the end of its three-year life; and
- The **Annual Report on Remuneration** which sets out remuneration for the financial year 2020 and how it will be implemented for the financial year 2021. The Directors' Remuneration Report, excluding the Directors' Remuneration Policy, will be subject to an advisory vote at our 2020 AGM.

In addition, a resolution will be proposed to renew the current Performance Share Plan, which is nearing the end of its 10 year life. The terms of the new plan will broadly mirror the existing plan, other than the removal of the exceptional award limit and the incorporation of a number of developments in market and good practice (including updating the malus and clawback provisions).

Remuneration framework

The Board is committed to ensuring that its remuneration framework supports our strategy and provides balance between motivating and challenging our senior leaders to deliver our business priorities and strong performance whilst also driving Superdry's long-term sustainable success. As a result, a significant proportion of performance related reward is delivered through shares. This ensures that our leaders have meaningful long-term investment in our business and that their interests are closely aligned with our shareholders.

This year a sixth principle has been added around driving an agenda in remuneration that is simple, fair and easy to understand. The Remuneration Policy for Senior Executives and other senior managers is based on the principles below.

Key responsibilities of the Remuneration Committee

The key responsibilities of the Remuneration Committee are to:

- determine the framework and policy for the remuneration of the Chairman, Chief Executive Officer, the other Executive Directors, the Company Secretary and other senior executives (together 'the Senior Executives') and ensure it remains appropriate;
- advise on the design of, and to determine and agree, the total individual remuneration package of each of the Senior Executives, giving due regard to any relevant legal requirements, the provisions and recommendations set out in the Code and the UK Listing Authority's Listing Rules and associated guidance;
- approve the design of, and targets for, annual and long-term performance related pay schemes operated for the Senior Executives and other senior managers, the total annual payments made under such schemes and provide oversight and guidance in relation to other Group-wide incentive proposals to ensure that these are aligned to performance, Superdry's core values and the Board's risk appetite; and
- oversee remuneration and benefits structures and policies throughout Superdry's business and to give advice on any major changes.

Activities during the year

The key activities undertaken by the Committee during the year were:

- reviewing the salary, benefits and bonus schemes for the Senior Executives and agreeing the level of bonus awards to be made to them;
- reviewing the operation of the Performance Share Plan including the grant and vesting of awards and reviewing the TSR comparator group;
- reviewing and approving the reporting on Superdry's Gender Pay Gap;
- consideration of thematic points arising from voting recommendations of proxy advisers;
- reviewing the Directors' Remuneration Policy and Group-wide remuneration practices;
- approving the remuneration terms relating to senior new hires and departures and associated share scheme implications;
- reviewing and approving the Committee's terms of reference;
- reviewing the effectiveness of the Committee's operation against its terms of reference;
- considering remuneration related measures to mitigate the impact of the Covid-19 outbreak on the business as noted above; and
- reviewing the results of the external Committee evaluation in February 2020.

In addition, the Committee has considered how the Policy and practices are consistent with the six factors set out in Provision 40 of the 2018 UK Corporate Governance Code:

Clarity – our Policy is well understood by our senior team and employees more generally and has been clearly articulated to our shareholders;

Simplicity – the Committee is mindful of the need to avoid overly complex remuneration structures which can be misunderstood and deliver unintended outcomes. As such, our executive remuneration policies and practices are as simple to communicate and operate as possible, while ensuring that they are aligned to our strategy;

Risk – our Remuneration Policy is based on: (i) a combination of both short and long term incentive plans based on financial, non-financial and share-price-linked targets; (ii) a combination of cash and equity; and (iii) a number of shareholder protections (i.e. bonus deferral, shareholding guidelines, malus/clawback provisions) which have been designed to reduce the risk of inappropriate risk-taking;

Recruit and retain high calibre talent	Embeds our unique values	Drives share ownership	Delivers long-term sustainable growth	Aligned to the Business Objectives	Simple and fair
V	V	V	V	V	V
Building a team of talented people	Reinforcing our unique family culture	Aligning shareholder and colleague interests	Encouraging behaviours that will deliver long-term sustainable Brand growth	Delivering the strategic plan	Easily understood by others and balanced against the wider workforce

Predictability – our incentive plans are subject to individual caps, with our share plans also subject to market standard dilution limits. The scenario charts in the Remuneration Policy illustrate how the rewards potentially receivable by our Executive Directors vary based on performance and share price growth;

Proportionality – there is a clear link between individual awards, delivery of strategy and our long-term performance. In addition, the structure of our short and long-term incentives, together with the structure of the Executive Directors' service contracts, ensures that poor performance is not rewarded; and

Alignment to culture – Superdry's culture and strategy is fully supported through the metrics in both the annual bonus and long-term incentive which measure how we perform against our main KPIs that underpin the delivery of our strategy.

Board changes

The following Board changes took place during the 2020 financial year:

- Dennis Millard, Minnow Powell, Sarah Wood and John Smith stood down as Non-Executive Directors with effect from 1 July 2019;
- The following Non-Executive Directors were appointed during the financial year: Helen Weir (from 11 July 2019); Alastair Miller (from 11 July 2019); Georgina Harvey (from 29 July 2019); and Faisal Galaria (from 29 July 2019); and
- Nick Gresham, was appointed as an Executive Director on 3 June 2019. Full details of the remuneration arrangements for the new appointments and resignations are set out in part 3: Annual Report on Remuneration.

Remuneration for financial year 2020

The outbreak of Covid-19 is unprecedented and has had a significant impact on Superdry. We closed all of our stores globally, reducing our actively at work employees by 88%. Stores started to open in Europe from the end of April and from June in the UK and US; however, the majority of stores have not returned to full capacity. Executives and Non-Executive Directors reduced their pay by 25% accordingly. The reduction continued until 30 June 2020 for the CFO and will continue until 30 September 2020 for the CEO and Non-Executive Directors.

On the basis that the overall financial performance of the business has fallen short of expectations this year, there will be no annual bonus awards in relation to FY20 and nil vesting under the 2017 PSP awards which were due to vest in July 2020.

Summary of policy changes

A summary of the policy changes being proposed, which reflect only limited changes in order to ensure Superdry continues to be aligned with developments in good remuneration governance as detailed above, are as follows:

- A commitment to introducing a more conventional approach to bonus deferral to the extent that bonus potential is restored to normal levels during the 2020-2023 Policy Period. Under the current Policy, any bonus above 100% of salary is deferred into shares for three years, albeit given that recent potential has been capped at 100% of salary, no deferral has operated (noting that no bonus will operate for 2020/21). Going forward, to the extent that bonus potential is restored to the 150% of salary Policy maximum, one third of any bonus will be deferred into shares for three years;
- The maximum pension contribution rate of 15% of salary will be removed. Going forwards, pension provision for Executive Directors and new employees promoted to the Board will be aligned, in percentage of salary terms, to the general workforce contribution rate. This change will align the Policy to the 2018 UK Corporate Governance Code;
- The exceptional PSP award limit of 300% of salary will be removed, leaving a single 200% of salary annual PSP grant limit, given that the 200% of salary is considered sufficient for the next three-year Policy period;
- The CFO's shareholding guideline will be increased from 150% to 200% of salary, in line with that operated for the CEO role and in line with best and market practice;
- A post-cessation shareholding guideline will be introduced. Going forward, Executive Directors will need to retain shares equal to 100% of the in-employment shareholding guideline up until the first anniversary of cessation, reducing to 50% of the guideline between the first and second anniversary. Any shares that have been purchased by an Executive Director, shares acquired through buyout awards and share awards granted prior to the 2020 AGM will be excluded from this post cessation guideline. This change is consistent with the provisions of the 2018 UK Corporate Governance Code; and
- Malus and clawback triggers in the bonus and PSP will be enhanced (e.g. corporate failure and insolvency triggers will be added).

Directors' Remuneration Report

CONTINUED

Implementing the Policy for Financial Year 2021

As explained above, at the 2020 AGM we will be submitting our Directors' Remuneration Policy for renewal by our shareholders. The Policy is materially unchanged from our current Policy, which was approved at our 2017 AGM, with the changes proposed being made to align the Policy with the UK Corporate Governance Code and regulatory reporting requirements.

Base salaries	Reduced by 25% until 30 June 2020 for Nick Gresham and until 30 September 2020 for Julian Dunkerton
Pension	Pension provision for incumbent Directors will be reduced to align it with the general workforce provision (4% of salary) by the end of the 2021 financial year. Pension provision for any new appointments will also be workforce aligned
Annual bonus	No bonus will be operated for 2020/21
PSP	The Committee intends to grant PSP awards during the 2020/21 financial year (although Julian Dunkerton does not participate in the PSP). To the extent that PSP awards are granted, consideration will be given to the prevailing share price and appropriate performance metrics/targets will be set and disclosed in the post grant RNS at the relevant time
Shareholding guidelines	Post-employment shareholding guidelines will be introduced going forward, requiring Executive Directors to retain their relevant shareholding at the date of leaving for two years post cessation

Shareholder consultation in respect of the new Policy

In formulating our revised Policy, the Committee consulted with our largest 20 shareholders and the main representative bodies. The Committee is grateful for the level of support received from investors for the Committee's approach and as such, only one change has been made to the proposed Remuneration Policy (the introduction of a more conventional bonus deferral) as set out above.

Conclusion

I hope you are supportive of our revised Policy and the approach to Policy implementation for financial year 2021, which is a continuation of our considered and prudent approach to remuneration at Superdry, and that you will therefore vote in favour of the remuneration related resolutions that will be tabled at the forthcoming AGM.

GEORGINA HARVEY
Remuneration Committee Chair
20 September 2020

Part 2: Directors' Remuneration Policy (unaudited)

Policy scope

The Policy applies to the Chairman, Executive Directors and Non-Executive Directors.

Policy duration

Given that the current Directors' Remuneration Policy Report (approved at the 2017 AGM) will shortly reach the end of its three-year life, a new Policy will be put to shareholders for approval at the 2020 AGM. Subject to approval, the new Policy will apply from that date for a maximum of three years, albeit the Committee may revert with more substantive changes to the Policy for consultation and shareholder approval in advance of the 2023 AGM (i.e. before the end of the next Policy period) once a more normal business environment exists.

Changes from the current Policy

The Policy changes being proposed are as follows:

- Introduce a more conventional approach to bonus deferral to the extent that bonus potential is restored to normal levels during the 2020-2023 Policy Period. Under the current Policy, any bonus above 100% of salary is deferred into shares for three years, albeit given that recent potential has been capped at 100% of salary, no deferral has operated (noting that no bonus will operate for 2020/21). Going forward, to the extent that bonus potential is restored to the 150% of salary Policy maximum, one third of any bonus will be deferred into shares for three years;
- The maximum pension contribution rate of 15% of salary will be removed. Going forwards, pension provision for new Executive Directors and new employees promoted to the Board will be aligned, in percentage of salary terms, to the general workforce contribution rate. This change will align the Policy to the 2018 UK Corporate Governance Code;
- The exceptional PSP award limit of 300% of salary will be removed, leaving a single 200% of salary annual PSP grant limit, given that the 200% of salary is considered sufficient for the next three-year Policy period;
- The CFO's shareholding guideline will be increased from 150% to 200% of salary, in line with that operated for the CEO role and in line with best and market practice;
- A post cessation shareholding guideline will be introduced. Going forward, Executive Directors will need to retain shares equal to 100% of the in-post shareholding guideline up until the first anniversary of cessation, reducing to 50% of the guideline between the first and second anniversary. Any shares that have been purchased by an Executive Director, shares acquired through buyout awards and share awards granted prior to the 2020 AGM will be excluded from this post cessation guideline. This change is consistent with the provisions of the 2018 UK Corporate Governance Code; and
- Malus and clawback triggers in the bonus and PSP will be enhanced (corporate failure and insolvency triggers will be added).

Proposed Policy

This section sets out a summary of the Remuneration Policy which will be voted on by Shareholders at the 2020 AGM.

Remuneration Policy overview

We aim to provide a remuneration structure and approach that helps align the interests of Executives and shareholders, and enables the attraction, retention and motivation of high calibre people with the capability to drive continued growth of the business. Where the Committee has discretion in implementing the Remuneration Policy, that discretion will be exercised diligently and in a manner aligned with shareholder interests. Discretion will only be exercised within the boundaries and limits set out in the Remuneration Policy.

Directors’ Remuneration Report

CONTINUED

Summary of the Executive Director Remuneration Policy

Element: Base Salary

Purpose and link to strategy	Maximum opportunity
Set at levels to attract and retain talented Executive Directors of the high calibre required to develop and deliver our ambitious growth strategy. Base salary will reflect each Executive Director’s individual skill, experience and role within the Group. Any changes to salary will take account of average increases across the Group.	Salary increases will typically be in line with the general level of increase awarded to other employees in the Group and/or the Executive Director’s country of employment. In exceptional circumstances (e.g. where there is an increase in scale, scope and/or responsibility, to reflect the development and success of the individual within the role, and/or to take account of relevant levels/market movements) a higher increase may be awarded. There is no prescribed maximum base salary level or maximum annual increase. Current salaries are detailed in the Annual Report on Remuneration.
Operation	**Performance measures**
When determining base salary the Committee typically takes into account: • salary levels for comparable roles at companies of a similar size, industry, global scope and complexity; • business and individual performance; • changes to the scale and complexity of the role; and • salaries paid to other employees across the Group. Base salary is normally paid on a monthly basis in cash. The base salary for each Executive Director is normally reviewed annually in May by the Committee although an out of cycle review may be conducted if the Committee determines this is necessary. A salary review will not necessarily lead to an increase in salary.	Individual and business performance are taken into consideration when deciding salary levels.

Element: Retirement Benefits

Purpose and link to strategy	Maximum opportunity
To provide retirement benefits which are market competitive and to enable us to attract and retain Executive Directors of the right calibre.	New Executive Directors: In line with the general workforce contribution rate (as a % of salary). Current Executive Directors: Pension provision of incumbent Executive Directors will be aligned to the general workforce contribution rate by the end of the 2020/21 financial year.
Operation	**Performance measures**
Executive Directors can choose to participate in the personal pension plan relevant to the country where they are employed, and/or to receive a cash allowance, or a combination of the two. Our Group personal pension plan is a defined contribution plan.	

Element: Other Benefits

Purpose and link to strategy	Maximum opportunity
To ensure Superdry is broadly competitive on benefits with broader market practice. To support personal health and well-being.	There is no maximum level of benefits provided to an individual Executive Director. Participation by Executive Directors in the SAYE scheme, and any other all-employee share plan operated in the future, is limited to the maximum award levels permitted by HM Revenue & Customs.
Operation	**Performance measures**
Benefit provision is set at an appropriate market level taking into account market practice in the Executive Director's home jurisdiction, the jurisdiction where they are based, and benefits for similar roles at similar companies and the level/type of benefits provided elsewhere in the Group. The benefits to which Executive Directors are entitled include (but are not limited to) private medical insurance (for the individual and their family), company sick pay, holiday pay, life assurance, car allowance and staff discount on Superdry products. Other benefits may be provided where appropriate. In-country and global relocation support may also be provided where appropriate. Executive Directors are eligible to participate, on the same basis as other employees, in our SAYE and BAYE schemes. They may also be granted eligibility to participate on the same terms in any new benefit plans, including all-employee share incentives, set up for the wider employee group.	

Element: Annual Performance Bonus

Purpose and link to strategy	Maximum opportunity
To encourage and reward the achievement of challenging financial and strategic performance targets during a financial year. The performance measures set each year align to our strategy and shareholder value creation.	Up to 150% of base salary (currently set at 100% of salary).
Operation	**Performance measures**
Bonus payments up to 100% of salary are normally awarded in cash and are not pensionable. An individual Executive Director may choose to defer bonus awarded into our Group personal pension plan. Bonus deferral: Noting that current bonus potential is set at 100% of salary (and no annual bonus will be operated for 2020/21), should bonus potential be restored to the 150% of salary Policy maximum during the Policy period (following appropriate shareholder consultation), one third of any bonus will be deferred into shares for three years.	Performance is normally assessed over one financial year. The annual performance bonus may be based on a mix of financial, personal and/or strategic business objectives relevant to the particular performance year and is aimed at securing a sustainable long-term business model. The performance criteria and performance targets are determined by the Committee each year and include threshold levels for minimum award (below which no bonus will be awarded), on-target award and maximum award. The Committee will set demanding performance targets to encourage stretch performance. These targets are considered to be commercially confidential and will therefore be disclosed in due course after the performance period has ended. A straight-line sliding scale between threshold (0% of opportunity), target (50% of opportunity) and maximum (100% of opportunity) is used to determine the level of award. Malus and clawback provisions apply as described below.

Element: Performance Share Plan

Purpose and link to strategy	Maximum opportunity
To incentivise and reward Executive Directors to develop and deliver Superdry's ambitious strategy, that create long-term value and to ensure a strong link between executive reward and Group performance / total shareholder return. To support recruitment, long-term retention and collaborative working through share ownership.	200% of salary.
Operation	**Performance measures**
Awards are granted on a discretionary basis and are normally subject to performance and continued employment at the end of a three-year performance period with a two-year post-vest holding period. Awards may be structured as conditional awards or nil or nominal cost options. Executive Directors may benefit, in the form of cash or shares, from the value of any dividend paid between the date of grant and the date of vesting to the extent that awards vest.	The Committee determines performance targets for each new cycle to ensure that the targets are stretching and support value creation for shareholders while remaining motivational for management. Performance measures will be based on financial, strategic and/or share price-related metrics. A maximum of 25% of an award will vest for threshold performance increasing to 100% vesting for maximum performance. Malus and clawback provisions will apply as described below.

Element: Share Ownership Guidelines

Purpose and link to strategy	Level
To help further strengthen the alignment between management and shareholders.	Minimum of 200% of base salary.
Operation	**Performance measures**
In employment: Executive Directors not holding shares worth at least 200% of their base salary will be expected to retain 50% of any PSP awards which vest (net of tax) until such time as that level of holding is met. Post cessation: Executive Directors will need to retain shares equal to 100% of the in-post shareholding guideline up until the first anniversary of cessation (or actual shareholding if lower), reducing to 50% of the guideline (or actual shareholding if lower) between the first and second anniversary. Any shares purchased by an Executive Director, shares acquired through buyout awards and share awards granted prior to the 2020 AGM will be excluded from this post cessation guideline.	

Selection of performance measures

Financial performance measures (e.g. underlying diluted EPS ('EPS')) and TSR are normally used for the majority of the PSP's performance criteria. The Group's key performance indicators, as set out in the Strategic Report, contribute to the delivery of EPS and TSR. The combination of EPS and TSR as performance conditions for the PSP provides a balance between rewarding management for growth in sustainable profitability and stock market outperformance. TSR is a clear indicator of the relative success of the Group in delivering shareholder value and, as a performance measure, firmly aligns the interests of PSP participants and shareholders. The EPS target range will require significant levels of growth and the TSR condition will be based on relative outperformance of relevant listed companies. That said, performance measures other than EPS and TSR may be operated where the Committee considers it appropriate to do so.

Malus and clawback provisions

The Committee has discretion to cancel, reduce or clawback individual or all annual bonus awards in certain circumstances including:

- a misstatement of results that resulted in an award being paid at too high a level;
- a material failure of risk management or health and safety;
- serious reputational damage to Superdry; and/or personal misconduct; and
- corporate failure or insolvency.

The Committee may at any time before the vesting of PSP awards reduce the number of shares in certain circumstances, including if:

- a material misstatement of financial results has resulted in the award having been granted over a higher number of shares than would otherwise have been the case; and
- the number of shares awarded was based on any other kind of error or basis of information or assumption that turns out to be inaccurate and resulted in the award having been granted a higher number of shares than would otherwise have been the case.

For three years after any PSP award vests, the Committee may decide that the individual is subject to clawback if:

- there has been a material misstatement of results that resulted in an award being paid at too high a level;
- there has been an error in assessing any performance condition or there was inaccurate or misleading information or assumptions that resulted in the award vesting at a higher level than otherwise would have been the case;
- there has been serious reputational damage to Superdry; and/or personal misconduct; and
- there is a corporate failure or insolvency.

Legacy arrangements

The Group will honour any commitments entered into prior to the approval and implementation of the Remuneration Policy as detailed in this report, and Executive Directors will be eligible to receive payment from any historical awards made.

Directors' Remuneration Report

CONTINUED

Scenario chart

The charts below show how the Directors' Remuneration Policy set out above is expected to be applied for Executive Directors during the Policy period using the following assumptions:

Minimum

- Consists of base salary, benefits and pension.
- Base salary from 1 May 2020 (excluding any Covid-19 reductions).
- Benefits are based on estimated values for 2020/21.
- Pension is based on 4% of salary given the intention for pension to be workforce aligned by the end of 2020/21.

	Base salary	Benefits	Pension	Total fixed
Julian Dunkerton	£600,000	£16,000	£24,000	£640,000
Nick Gresham	£400,000	£12,000	£16,000	£428,000

Target

Based on what the Executive Director would receive if performance was on-target (excluding share price appreciation and dividends):

- Assumed 50% of the maximum bonus potential and 50% of PSP awards (where relevant)

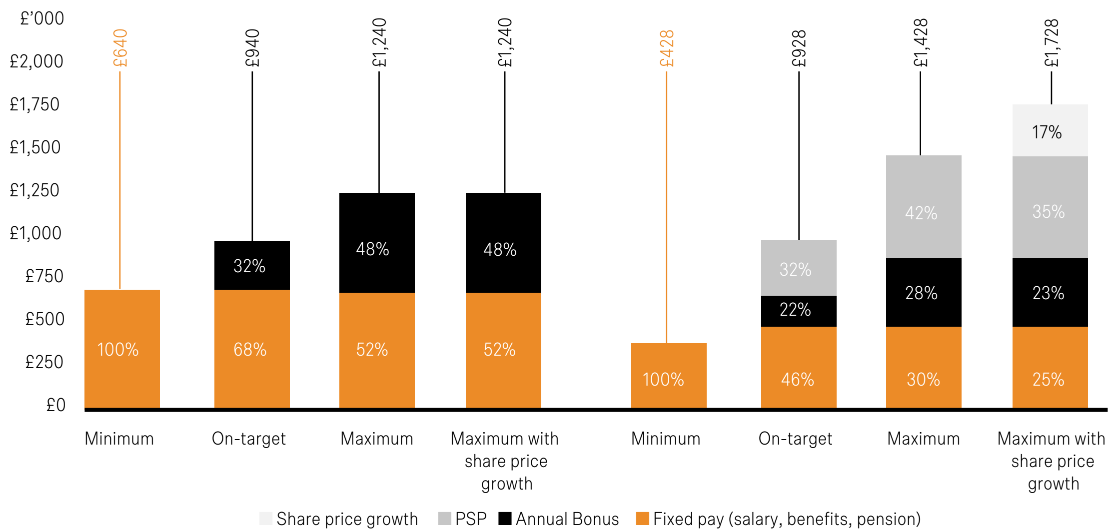
Maximum

Based on the maximum remuneration receivable (excluding share price appreciation and dividends):

- Annual bonus: based on a maximum bonus of 100% of salary, noting that this is below the normal 150% of salary Policy maximum and that no bonus will be operated for 2020/21.
- Long term incentive: based on a 150% of salary PSP award for the CFO (noting that actual award levels may be lower). The CEO does not currently participate in the PSP.

Maximum with 50% share price growth

- As the Maximum scenario plus the value resulting from a share price growth of 50% from the PSP award.



Remuneration arrangements across Superdry

The reward philosophy continues to be consistent across Superdry, namely that reward should support our business strategy and be sufficient to attract, motivate and retain high performing individuals. Within this framework, there are differences for a range of reasons, including global location, culture, best practice, employment regulation and the local employment market conditions.

- **Salaries and benefits** – a range of factors are considered including business performance, individual capability and performance, the pay of other employees and external market data.
- **Annual performance bonus** – consistent with the Remuneration Policy for Executive Directors, annual bonuses are typically linked to business performance with a focus on underlying profit before tax, although the business retains the right to void a bonus award in circumstances where we deem an individual has not performed to an acceptable level or has acted inappropriately during the performance period.
- **PSP** – a small number of the management team who provide significant strategic input or lead a significant function within Superdry, and more junior employees who have made an exceptional contribution, may be invited to participate in the PSP in any financial year.
- **Founder Share Plan (FSP)** – All of our colleagues across Superdry were invited to participate in the FSP. Funded by the generosity of our two founders, Julian Dunkerton and James Holder, the plan gives every colleague the opportunity to share in a proportion of any wealth gain due to the growth in Superdry's share price. Executive Directors do not benefit from the FSP.
- **All employee share schemes** – in the UK the Group operates SAYE and BAYE share schemes which are open to all eligible employees. Under the SAYE scheme employees can elect to save up to £500 each month for a fixed period of three years. At the end of the savings period, individuals may use their savings to buy Superdry ordinary shares at a discount capped at up to 20% of the market price set at the launch of the scheme. The BAYE scheme gives employees the opportunity to buy shares up to the value of £1,800 per year using pre-tax earnings. For every 10 shares purchased through this scheme the Group offers one free matching share.
- **Retirement benefits** – in line with local country practices, we encourage all employees to contribute appropriate savings toward their retirement. In the UK, we operate pension arrangements within the Occupational and Personal Pension Schemes (Automatic Enrolment) Regulations 2010.

Executive Directors' service agreements

The following table sets out a description of any obligations on Superdry, contained in the current Executive Directors' contracts, which could give rise to, or impact, remuneration payments or payments for loss of office.

Element	Terms
Notice period	Julian Dunkerton – 12 months by Superdry and 3 months by the Executive Director. Nick Gresham - 6 months by Superdry and 6 months by the Executive Director.
Contract date	Julian Dunkerton – 2 April 2019 to 1 April 2021 (subject to review). Nick Gresham – 3 June 2019 (6 months' notice period).
Base salary	As per contracts.
Pension contributions	Employer pension contribution.
Contractual benefits	Contractual entitlement to: • private medical insurance; • company sick pay; • life assurance • holiday pay; • car allowance; and • discount on Superdry products.
Annual bonus	Participation is subject to the Committee's discretion.
Long-term incentive plan	Participation is subject to the Committee's discretion.

The service contract for any new Executive Director is likely to include provisions for a notice period of up to six months by either party, an annual salary review and participation in the Company's annual bonus and PSP.

All Executive Director service contracts are available for inspection at our registered office during normal hours of business, by arrangement with the Company Secretary.

Discretions retained by the Committee

The Committee will operate the annual bonus plan and PSP according to their respective rules (or relevant documents), in line with the applicable approved Remuneration Policy and in accordance with the Listing Rules where relevant. The Committee retains certain discretions, consistent with market practice, with regard to the operation and administration of these plans. These include, but are not limited to, the following in relation to the PSP: the participants; the timing of grant of an award; the size of an award; within policy limits the determination of vesting; the discretion that may be required if dealing with a change of control or restructuring of the Group; determination of the treatment of leavers; adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events and special dividends); reviewing performance measures and weighting; and targets for the PSP from one cycle to the next.

In relation to the annual bonus plan, the Committee retains discretion over: the participants; the timing of grant of a payment; the determination of the bonus payment; dealing with a change of control; determination of the treatment of leavers based on the rules of the plan and the appropriate treatment chosen; the annual review of performance measures and weighting; and targets for the annual bonus plan from year to year.

In relation to both our PSP and annual bonus plan, the Committee retains the ability to adjust the targets and/or set different measures if events occur (e.g. material acquisition and/or divestment of a business) which cause it to determine that the conditions are no longer appropriate and that an adjustment is required so that the conditions achieve their original purpose and are not materially more or less difficult to satisfy. We have used EPS as a determining measure since inception for the PSP; it is therefore consistent and transparent to participants and shareholders. The Committee may exercise discretion if required to adjust EPS to reflect what it considers to be a fairer outcome for shareholders and participants.

Any use of the above discretions would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with our major shareholders.

The operation of our SAYE and BAYE share schemes will be as permitted under HM Revenue & Customs' rules and the Listing Rules. Details of shares or interests in shares held by Executive Directors at the end of the financial year are set out in the Annual Report on Remuneration. These remain eligible to vest based on their original award terms.

Approach to the recruitment and retention of Executive Directors - principles

When hiring a new Executive Director or promoting to the Board from within Superdry, the Committee will offer a package that is sufficient to attract, retain and motivate the right talent, while at all times aiming to pay no more than is necessary. In determining an appropriate remuneration package, the Committee will take into consideration all relevant factors including but not limited to the impact on other existing remuneration arrangements, the candidate's location and experience, external market influences and internal pay relativities.

The remuneration package for a new Executive Director would be set in accordance with the terms of our prevailing approved Remuneration Policy at the time of appointment and take into account the skills and experience of the individual, the market rate for a candidate of that experience and the importance of securing the relevant individual.

Salary would be provided at such a level as required to attract the most appropriate candidate and may be set initially at a below mid-market level on the basis that it may progress towards the mid-market level once expertise and performance has been proven and sustained. The annual bonus potential would be limited to 150% of salary and grants under the PSP would be limited to 200% of salary.

Pension provision will be workforce aligned and other benefits will be offered in line with local market practices dependent on where an Executive Director is located.

In addition, the Committee may offer additional cash and/or share based elements to replace deferred or incentive pay forfeited by an Executive Director leaving a previous employer. It would seek to ensure, where possible, that these awards would be consistent with awards forfeited in terms of vesting periods, expected value and performance conditions. For an internal Executive Director appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms. In addition, any other ongoing remuneration obligations existing prior to appointment may continue. For external and internal appointments, the Committee may agree that certain relocation and/or incidental expenses (as appropriate) will be met.

Policy on payment for loss of office

We are committed to ensuring a consistent approach and to not paying more than is necessary in the circumstances of loss of office. In the event of an early termination of a contract, the policy is to seek to minimise any liability. When managing such situations the Committee takes a range of factors into account, including contractual obligations, shareholder interests, organisational stability and the need to ensure an effective handover. Executive Directors may be entitled to a payment in lieu of notice ('PILON') if notice is served by us. In the normal course of events, the Executive Director would work their notice period. In the event of termination for cause (e.g. gross misconduct or negligence), neither notice nor PILON would be given and the Executive Director would cease to perform services immediately.

In the event of termination for reasons other than cause (for example, resignation) where the individual is requested by us to cease working before the end of the notice period, PILON may be payable. If a portion of the notice period is served, the PILON payment will be reduced on a pro rata basis. Payments may be made on a phased basis. Alternatively, rather than making a PILON, we may place an Executive Director on garden leave for the duration of some or all of their notice period.

Where an Executive Director leaves during a financial year, the annual bonus will not be payable with respect to the period of the financial year worked in line with the Group's annual bonus scheme rules.

Any share based entitlements granted to an Executive Director under our share plans will be determined based on the relevant plan rules. The default treatment under the PSP is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, ill health, injury, disability, retirement, sale of the employing company or business outside the Group or any other circumstances at the discretion of the Committee, 'good leaver' status may be applied. For good leavers, awards will normally vest on their normal vesting date, subject to the satisfaction of the relevant performance conditions at that time and will be reduced pro rata to reflect the proportion of the performance period actually served. However, in the event of the death of an Executive Director, the Committee has discretion to determine that awards vest at cessation, subject to performance targets, with no service pro rata reduction.

Payment may also be made in respect of accrued benefits, including untaken holiday entitlement, in line with the treatment of other employees.

In addition, as is consistent with market practice, we may pay a contribution towards an Executive Director's legal fees for entering into a settlement agreement and may pay a contribution towards fees for outplacement services as part of a negotiated settlement.

There is no provision for additional compensation on termination following a change of control, nor liquidated damages of any kind.

Consideration of conditions elsewhere in Superdry

The Committee has oversight of the main compensation structures throughout Superdry's business and actively considers the relationship between general changes to employee remuneration and to Executive Director remuneration. When considering changes to Executive Director remuneration, the Committee is provided with relevant comparative employee information (for example, average salary review) across Superdry.

The Committee does not consider it appropriate to consult directly with employees when formulating Executive Director reward policy. However, it does take into account employee feedback on remuneration from employee surveys, as provided to the Committee by the Group HR Director.

Consideration of shareholder views – consultation on remuneration policy

The Committee consulted with Superdry's top investors and the main proxy advisory agencies (the IA, ISS and Glass Lewis) in respect of rolling forward the current Remuneration Policy, with some updates for developments in good governance. During the consultation exercise, it was clear that the Committee should adopt a more conventional approach to bonus deferral and as such, this change has been incorporated into the policy table above. At the end of the consultation exercise a wrap-up letter was sent to those who had been consulted, which set out the feedback received and the Committee's response.

Summary of the Non-Executive Director Remuneration Policy

The Board aims to recruit high calibre Non-Executive Directors with broad commercial, international or other relevant experience. The Remuneration Policy is as follows:

Element	Fees
Purpose and link to strategy	Fees are set at an appropriate level to attract and retain high calibre Non-Executive Directors, and reflect the time commitment and responsibilities of each role and fees paid in other companies of a similar size, industry, global scope and complexity.
Operation	Fees are normally reviewed annually and are normally paid in cash. Each Non-Executive Director is paid a basic fee for undertaking Non-Executive Director and Board duties. A higher fee is paid to the Chairman of the Board and the Senior Independent Director. Additional fees may also be payable for taking on Committee responsibilities and other Board duties. Non-Executive Directors also receive staff discount on Superdry products. Non-Executive Directors do not receive any other benefits other than reasonable expenses. Travel and other appropriate expenses (including fees incurred in obtaining professional advice in the furtherance of their duties) incurred in the course of performing their duties are reimbursed to Non-Executive Directors along with any associated taxes. Non-Executive Directors are covered by the Directors' and Officers' insurance and indemnification.
Maximum opportunity	As is the case for the Executive Directors, there is no prescribed maximum fee or maximum fee increase. The aggregate fees payable to all Non-Executives combined are capped as set out in Superdry's Articles of Association.
Performance measures	No performance measures apply. Fees are set at an appropriate level to attract and retain high calibre Non-Executive Directors.

When recruiting a new Non-Executive Director, the remuneration arrangements offered will be consistent with the policy presented above.

Non-Executive Directors are appointed for an initial period of three years (subject to election at the Company's AGM) and then continue to serve subject to annual re-election at the AGM. Appointments may be terminated by either the Company or the Non-Executive Director giving three months' written notice. Save in respect of retirement by rotation, a Non-Executive Director being removed from office will be entitled to compensation equal to the fee during any remaining notice period.

Name	Date of appointment
Alastair Miller	11 July 2019
Helen Weir	11 July 2019
Faisal Galaria	29 July 2019
Georgina Harvey	29 July 2019

All Non-Executive Director letters of appointment are available for inspection by shareholders at our registered office by arrangement - please see our AGM notice for further details.

Directors' Remuneration Report

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Part 3: Annual Report on Remuneration

The following part of the Directors' Remuneration Report, together with the Annual Statement, will be subject to an advisory vote at the 2020 AGM and sets out how the Remuneration Policy will be implemented in financial year 2021, and how it was implemented in financial year 2020.

The following sections of the Annual Report and Financial Statements are identified as audited or unaudited as appropriate.

Implementation of the Remuneration Policy for financial year 2021:

Base salary (audited)

Executive Directors' base salaries are normally reviewed annually on 1 May, taking into account business and individual performance, salary levels at companies of a similar size, industry, global scope, growth and complexity and the salaries paid to other employees across Superdry. Current annual base salary levels are as follows:

		From 1 May 2020*	From 1 May 2019	Increase
Julian Dunkerton	Chief Executive Officer	**£600,000**[1]	£600,000[1]	0%
Nick Gresham	Chief Financial Officer	**£400,000**[2]	£375,000[2]	6.67%

* Excluding a 25% reduction from 1 April to 30 September 2020 and 30 June 2020 for Julian Dunkerton and Nick Gresham respectively.

1. Julian Dunkerton was appointed as Interim Chief Executive Officer on 2 April 2019. As per the announcement on 14 October 2019, he assumed the title of Chief Executive Officer from this date and his contract was extended until April 2021.
2. Nick Gresham was appointed as Interim Financial Officer on 3 June 2019. He was appointed Chief Financial Officer on 13 August 2019 and as part of his appointment to the permanent role, received a 6.67% increase to his base salary to reflect a number of material changes to areas of responsibility, including the addition of the property portfolio, and reporting lines.

Benefits in kind and pension (unaudited)

No changes will be made to benefit provision. Executive Director pension provision will continue to be set at 7.5% of salary (into the Group's personal pension plan and/or in the form of a salary supplement) although as explained in the Policy report, pension provision will be reduced from 7.5% of salary to 4% of base salary for incumbents during the financial year 2021. Pension provision for new appointments will also be workforce aligned at 4% of salary.

Annual bonus (unaudited)

As a result of the challenges facing Superdry, no annual bonus will be operated for the financial year 2021.

Long-term incentives (unaudited)

The Committee intends to grant PSP awards during the 2020/21 financial year (although Julian Dunkerton does not participate in the PSP). To the extent that PSP awards are granted, consideration will be given to the prevailing share price and appropriate performance metrics/targets will be set and disclosed in the post grant RNS at the relevant time.

Non-Executive Directors (audited)

No change will be made in 2020 to the annual fees for Non-Executive Directors and the Chairman.

Annual fee levels for financial year 2021 are as follows:

Role	From 1 May 2020	From 1 May 2019
Chairman (Peter Williams from 2 April 2019)	**£200,000**[1]	£200,000
Base fee	**£55,000**[1]	£55,000
Senior Independent Director increment	**£17,500**	£17,500
Audit/Remuneration Committee Chair increment	**£12,500**	£12,500

1. Excluding 25% fee reduction for a period of 6 months from 1 April to 30 September 2020.

Single Figure Remuneration (audited)

		Base salary/ Fees	Taxable benefits[1]	Pension contributions[2]	Annual bonus	LTIPS	Other payments	Total
Executive Directors								
Julian Dunkerton[3]	2020	587,500	15,352	48,625	–	–	–	651,477
	2019	46,027	767	3,452	–	–	–	50,246
Nick Gresham[4]	2020	352,083	12,183	27,031	–	–	–	391,297
	2019	–	–	–	–	–	–	–
Non-Executive Directors								
Peter Williams[3]	2020	195,833	5,063	–	–	–	–	200,896
	2019	16,110	711	–	–	–	–	16,821
Alastair Miller[5]	2020	53,029	2,467	–	–	–	–	55,496
	2019	–	–	–	–	–	–	–
Faisal Galaria[6]	2020	40,548	1,457	–	–	–	–	42,005
	2019	–	–	–	–	–	–	–
Georgina Harvey[6]	2020	49,763	2,183	–	–	–	–	51,946
	2019	–	–	–	–	–	–	–
Helen Weir[5]	2020	56,957	1,499	–	–	–	–	58,456
	2019	–	–	–	–	–	–	–
Former Executive Directors								
Euan Sutherland[7]	2020	–	–	–	–	–	–	–
	2019	672,412	35,922	100,862	–	–	–	809,196
Ed Barker[7]	2020	–	–	–	–	–	–	–
	2019	346,233	15,413	54,099	–	107,461	275,809	799,015
Nick Wharton[8]	2020	–	–	–	–	–	–	–
	2019	74,800	3,188	11,220	–	–	–	89,208
Former Non-Executive Directors								
Peter Bamford[7]	2020	–	–	–	–	–	–	–
	2019	184,444	2,195	–	–	–	–	186,639
Penny Hughes[7]	2020	–	–	–	–	–	–	–
	2019	62,250	2,464					64,714
John Smith[9]	2020	9,315	371	–	–	–	–	9,686
	2019	55,000	2,155	–	–	–	–	57,155
Sarah Wood[9]	2020	9,315	415	–	–	–	–	9,730
	2019	32,083	1,025	–	–	–	–	33,108
Minnow Powell[9]	2020	11,431	993	–	–	–	–	12,424
	2019	67,500	3,852	–	–	–	–	71,352
Dennis Millard[9]	2020	14,395	404	–	–	–	–	14,799
	2019	73,507	1,993	–	–	–	–	75,500
Keith Edelman[10]	2020	–	–	–	–	–	–	–
	2019	15,639	2,911	–	–	–	–	18,550

1. Benefits include a car allowance, medical insurance and expenses in relation to the performance of duties
2. Euan Sutherland, Nick Wharton and Ed Barker received a Company contribution of 15% of base salary in the form of either pension contribution or cash allowance. Julian Dunkerton received a Company contribution of 7.5% of base salary in the form of a cash allowance
3. Appointed on 2 April 2019
4. Appointed on 3 June 2019 and made permanent on the 1 August 2019
5. Appointed 11 July 2019
6. Appointed 29 July 2019
7. Stepped down from the Board on 2 April 2019
8. Stepped down from the Board on 5 July 2018
9. Stepped down on the 1 July 2019
10. Stepped down on the 11 September 2018

Directors’ Remuneration Report

CONTINUED

Annual bonus for the year ended 25 April 2020 (audited)

For financial year 2020, no bonus was awarded to Julian Dunkerton or Nick Gresham. The performance against the targets is set out below.

	Underlying Profit Before Tax (80%)	Central Cost Control (20%)
Target	For FY20, the start to earn threshold was set at £32m underlying profit before tax (offering 25% of the opportunity), on target at £36m (offering 50% of the opportunity) and a maximum award at £40m (100% of the opportunity).	This element is a shared business objective based on controlling Business Operating Costs in Head Office: A ‘start to earn’ central cost budget of £95m, above which no annual bonus pays out. An ‘on target’ performance of under £95m, triggers 50% of this part of an award ‘Stretch’ performance of £93m or less triggers 100% of this part of an award.
Performance	Group underlying profit before tax out-turn for the year was below threshold.	Below threshold as contingent on achieving UPBT threshold

Performance share plan (audited)

The PSP awards granted on 20 July 2017 were based on a three-year performance period ended 25 April 2020. As disclosed in previous annual reports, the performance conditions for these awards was as follows:

Metric	Performance condition	Threshold target (p.a)	Stretch target (p.a)	Actual	% Vesting
Earnings per share (70%)	25% of this part vests for average annual EPS growth of 8% in excess of RPI, increasing on a straight-line basis to 100% of this part vesting for EPS growth of at least 12% per annum.	**8%**	**12%**	**Below threshold**	0% (max. 70%)
Total shareholder returns (30%)	25% of this part of the award vests if the Group’s TSR is ranked at the median of the comparator companies, increasing on a straight-line basis to 100% vesting of this part if the Group’s TSR is ranked at the upper quartile of the comparator group (comprising FTSE All-Share companies in the following subsectors: Apparel Retailers, Broadline Retailers, Clothing and Accessories, Furnishings, Home Improvement Retailers, Speciality Retailers and Toys).	**Median**	**Upper quartile**	**Below median**	0% (max. 30%)
					0%

Share awards granted in the year (audited)

PSP Awards

PSP awards were granted in the financial year 2020 as conditional awards to Nick Gresham as follows:

Executive	Date granted	Number of PSP awards	Basis	Face value	Performance condition	Performance period
Nick Gresham	24 September 2019	143,885[1,2]	150% of base salary	£600,000	Vesting will be determined by EPS and TSR over the performance period (see below)	Three financial years ending 2021/2022

1. In addition to the performance conditions attached, the Committee will review the value at vesting to ensure that this is aligned with the shareholder experience and the per share gain under the award is limited to five times the share price at grant.
2. Based on a share price of £4.17 which was the 10 day weighted average share price.

The performance targets were as follows:

Earnings per share (30%)	10% of this part vests for EPS growth of 15% p.a., increasing to 50% of this part vesting for EPS of 23% p.a., increasing to 100% of this part vesting for EPS growth of 30% p.a.
Total shareholder returns (70%)	25% of this part of the award vests if the Group’s TSR is ranked at the median of the comparator companies, increasing on a straight-line basis to 100% vesting of this part if the Group’s TSR is ranked at the upper quartile of the comparator group (Comprising FTSE AllShare companies in the following sub-sectors: Apparel Retailers, Broadline Retailers, Clothing and Accessories, Furnishings, Home Improvement Retailers, Speciality Retailers and Toys).

Given the uncertainty surrounding earnings at the time that the PSP awards were made, the Committee felt that it was appropriate to switch the weighting of the awards from 70:30 EPS:TSR to 30:70 for the 2019 PSP awards.

Directors' interests in share awards (audited)

The table below sets out details of the Executive Directors' outstanding share awards:

Executives	Scheme	At 28 April 2019	Granted during the period	Vested during the period	Lapsed during the period	At 25 April 2020	Date of award	Performance period	Normal vesting date	Share price on date of grant
Nick Gresham	PSP	–	143,885			143,885	24/09/2019	3 financial years ending 2021/2022	24/09/2022	£4.17
Total						143,885				

All awards granted under the PSP are subject to continued employment. They are subject to the satisfaction of the performance conditions set out for each award. PSP awards are all structured as conditional awards.

Share ownership (audited)

The beneficial and non-beneficial interests of the Directors in the share capital of Superdry at 25 April 2020 are set out below:

	Interests in ordinary shares					Interests in shares				
	25 April 2020	27 April 2019	Shareholding guideline %	% Against Salary	Guideline met?	PSP[1]	Deferred shares	SAYE	BAYE	Total
Executive Directors										
Julian Dunkerton	15,172,105	15,122,105	200%	3,277%[2]	Yes	–	–	–	–	15,172,105
Nick Gresham[3]	–	–	150%	0%	Not yet	143,885	–	5,309	385[4]	149,579
Non-Executive Directors										
Faisal Galaria	–	–	–	–		–	–	–	–	–
Georgina Harvey	–	–	–	–		–	–	–	–	–
Alastair Miller	–	–	–	–		–	–	–	–	–
Helen Weir	5,000	–	–	–		–	–	–	–	5,000
Peter Williams	27,222	–	–	–		–	–	–	–	27,222

1. PSP are subject to performance conditions being met
2. Calculation based on the share price as of 24 April 2020 (129.6p)
3. Nick Gresham was appointed interim CFO with effect from 3 June 2019 and permanent CFO with effect from 13 August 2019
4. This consists of 350 partnership shares, 35 matching shares and 0 (zero) dividend shares

Executive Board Director leavers (audited)

Payments to past Directors

Euan Sutherland resigned as Chief Executive Officer on 2 April 2019 and left his employment on 31 December 2019. In respect of the 2020 financial year, Euan received £485,520 in basic salary, £20,942 in taxable benefits, and £72,828 in pension contributions. No termination payments were paid to Euan and his entitlement to the 2016, 2017 and 2018 PSP awards lapsed on his resignation. He remained entitled to benefit from two deferred bonus share plan ('DBSP') awards relating to the 2016 and 2017 annual bonus plan awards. As such, 13,539 shares vested on 1 August 2019 (being 11,712 shares due under the 2016 plan, plus 1,827 dividend equivalent shares, the total value at vesting was £59,598.97) and 23,066 shares vested on 20 July 2020 (being 20,067 shares due under the 2017 plan, plus 2,999 dividend equivalent shares, the value at vesting was £28,140.52).

Ed Barker resigned as Chief Financial Officer on 2 April 2019 and left employment on the 1 October 2019. In respect of the 2020 financial year, Ed received £157,258 in basic salary, £6,510 in taxable benefits, £23,589 in pension contributions and £5,453.39 in other payments during the financial year 2020 until 1 October 2019 being the date he ceased employment. No termination payments were paid to Ed and his entitlement to the 2018 PSP awards lapsed on his resignation. He remained entitled to two Restricted Share Plan awards granted to him on his appointment in 2018 as part of the buyout of shares he forfeited on leaving his previous employer. 14,012 shares vested on 31 May 2019 (the value at vesting was £64,432.01) and 9,338 vested on 1 October 2019 (the value at vesting was £38,528.59).

Directors' Remuneration Report

CONTINUED

Payments for loss of office

Minnow Powell, Sarah Wood, Dennis Millard and John Smith ceased to be Non-Executive Directors on 1 July 2019. Their fees were paid up to 1 July 2019 and no further payments were made in connection with their resignations from office.

The following sections of the Annual Report and Financial Statements are unaudited.

Relative importance of the spend on pay (unaudited)

The following table sets out the percentage change in distributions to shareholders and employee remuneration costs.

	2020	2019	Change
Employee remuneration costs (£m)	**103.7**	115.4	-7.6%
Ordinary dividends (pence)	**0.02**	25.5	-99.9%
Special dividends (pence)	**0**	20.5	-100%

CEO pay ratio

Under new disclosure legislation, we are required to calculate and publish our CEO pay ratio on an annual basis. The table below shows how the CEO's single figure remuneration for financial year 2020 (as taken from the single figure remuneration table) compares to equivalent single figure remuneration for full-time equivalent UK employees, ranked at the 25th, 50th and 75th percentile.

For the calculation method, Option A was chosen (based on data as at 30 March 2020) as this was considered to be the most robust approach to calculating the ratios.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020	Option A	44:1	38:1	28:1

The underlying data for salary and total remuneration is as follows:

	Salary			Total remuneration		
Year	25th percentile	Median	75th percentile	25th percentile	Median	75th percentile
2020	£15,015	£16,770	£22,252	£15,015	£17,261	£23,077

The Superdry Remuneration Committee believes in reward packages that are competitive and balanced against the wider workforce aligned to our principles. On the appointment of Julian to the role of CEO, thorough benchmarking was conducted to ensure the package was competitive yet consistent with the pay and reward opportunities covering our UK colleagues and that of our senior leadership team. The CEO is the employee with the highest level of pay because he has the highest level of responsibility. Although the CEO ratio is likely to vary, no bonus was payable in FY20 and Julian does not participate in the PSP meaning although the ratio is lower than it could be in other years, the range of variable pay outcomes will be smaller.

Percentage increase in the remuneration of the Chief Executive Officer (unaudited)

The table below shows the movement in salary, benefits and annual bonus for the Chief Executive Officer between the current and previous financial year compared to the average of all employees of the Group.

Element of remuneration		% change
Salary	CEO	0%
	Employees	1.51%
Taxable benefits	CEO	nil
	Employees	nil
Annual bonus	CEO	-100%
	Employees	n/a[1]

1. Bonus payments are only made to a small group of senior leaders and Wholesale sales roles.

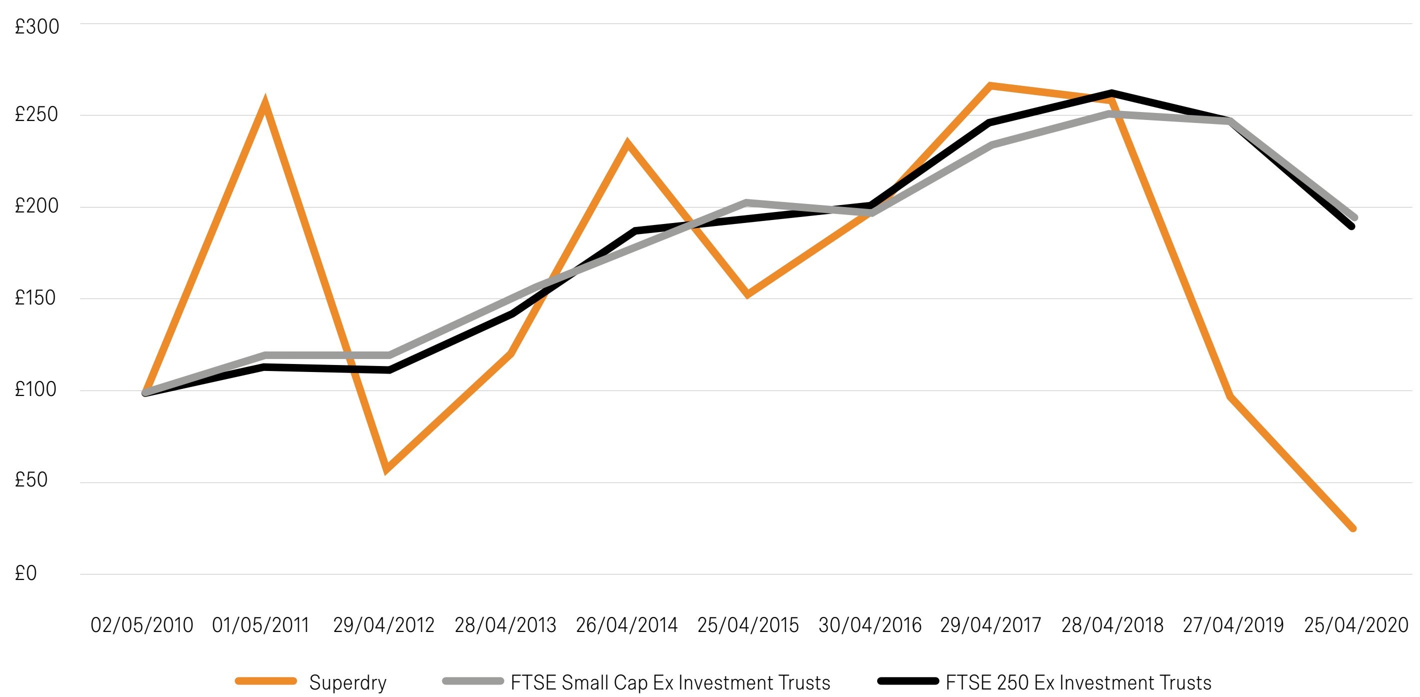
Gender Pay Gap Report
The annual sharing of our Gender Pay Gap report provides further insight and is enhancing our diversity conversation and ensuring equality. Like many organisations, we currently have a gender pay gap, which we would, of course, aspire not to have.

The Committee recognises that the gender pay measures are very different from equal pay comparisons and is confident that our Group-wide approach to pay means that we do not allow unequal pay to exist within Superdry. The Committee has concluded that the Superdry gender pay gap demonstrates that, as our most senior roles are largely filled by men, we need to continue to improve diversity in our most senior job levels.

Our full report on gender pay is available at https://corporate.superdry.com/sustainability/gender-pay-gap/. Further details on our approach to diversity and diversity data can be found in our Nomination Committee report and on page 77.

Performance graph (unaudited)
The graph below shows the total shareholder return for the Group compared with the TSR of the FTSE 250 (excluding Investment Trusts) and FTSE SmallCap (excluding Investment Trusts) over the 10 years to 25 April 2020. The FTSE 250 and SmallCap indexes were selected as Superdry was a constituent of one or the other of them for the period shown.

Total Shareholder Return (value of £100 invested on 2 May 2010 over the ten years to 25 April 2020)
Source: Thomson Reuters Datastream



Directors' Remuneration Report

CONTINUED

Historic single figure table (audited)

The table below sets out the Chief Executive Officer's single figure remuneration over the past nine years.

Year ended	Chief Executive Officer	Total remuneration	Annual bonus (% of max)	Long-term incentives (% of max)
2020	Julian Dunkerton*	£651,477	0%	n/a
2019	Julian Dunkerton*	£50,246	n/a	n/a
2019	Euan Sutherland†	£809,196	0%	0%
2018	Euan Sutherland†	£2,662,526	65.5%	100%
2017	Euan Sutherland†	£4,000,708	96.1%	58.2%
2016	Euan Sutherland†	£1,677,125	85.0%	n/a
2015	Euan Sutherland†	£602,862	33.3%	n/a
2015	Julian Dunkerton*	£419,180	–	n/a
2014	Julian Dunkerton*	£419,412	–	n/a
2013	Julian Dunkerton*	£419,406	–	n/a
2012	Julian Dunkerton*	£419,463	–	n/a

* Julian Dunkerton was appointed as Interim Chief Executive Officer on 2 April 2019 and assumed the title of Chief Executive Officer from 14 October 2019. He previously held the role of Chief Executive Officer from 2012 to 22 October 2014 when he switched to the role of Product and Brand Director.

† Euan Sutherland was appointed as Group Chief Executive Officer on 22 October 2014 and stepped down on 2 April 2019. His 2018 total remuneration figure has been updated to reflect the actual value of his 2015 PSP awards which vested in August 2018. The figure disclosed in the 2018 Annual Report was based on an estimate.

Advisors to the Committee

FIT Remuneration Consultants LLP was appointed as the Committee's independent remuneration advisor during 2019 following a competitive tender process. Fees for the financial year 2020 charged by FIT on the basis of time and materials amounted to £52,830 (ex VAT). The Committee is satisfied that the advice provided was independent. FIT is a member of the Remuneration Consultants Group and complies with its code of conduct.

Dilution

In accordance with current guidance for employee share scheme dilution, the Committee applies a limit on the amount of shares which can be issued to satisfy employee share plan awards of 10% of issued share capital in any rolling 10 year period. Of this 10%, only half can be issued to satisfy awards under the discretionary arrangements.

Statement of shareholder voting

Shareholder voting in respect of the Directors' Remuneration Policy (2017 AGM) and last year's Annual Report on Remuneration (2019 AGM) received the following votes from shareholders:

	For	Against	Votes withheld
Directors' Remuneration Policy (2017 AGM)			
Total number of votes	72,447,443	1,717,915	42,000
% of votes cast	97.68	2.32	

	For	Against	Votes withheld
Directors' Remuneration Report (2019 AGM)			
Total number of votes	61,116,241	197,277	1,281
% of votes cast	99.68	0.32	

The Directors' Remuneration Report, excluding the Directors' Remuneration Policy, will be subject to an advisory vote at the AGM on 22 October 2020.

GEORGINA HARVEY
Remuneration Committee Chair
20 September 2020

Directors' Report

We present the Directors' report, for Superdry plc and subsidiary companies (together, the 'Group's) audited Financial Statements for FY20. This Directors' report includes the information required by the Companies Act 2006, but where information is provided in other parts of this Annual Report, you will be referred to the relevant page(s). The Corporate Governance Report is on pages 70 to 76 and forms part of this Directors' report.

Superdry is UK domiciled, but has a number of overseas subsidiaries and has branches in Austria, Italy, Norway, Portugal and Switzerland.

This Directors' Report and the Strategic Report on pages 04 to 66 comprise the 'management report' for the purposes of the Financial Conduct Authority's Disclosure and Transparency Rules (DTR 4.1.8R). The management report includes an indication of likely future developments for Superdry.

Results and dividends

Our Financial Statements for FY20 are on pages 110 to 182.

An interim ordinary dividend of 2.0 pence per share was paid to shareholders on 24 January 2020. The Directors do not recommend the payment of a final dividend, resulting in a total ordinary dividend in respect of FY20 of 2.0 pence per share.

Significant events since the end of the financial year

Details of significant events since the balance sheet date are contained in note 39 to the financial statements. Indications of likely future developments in the business of the Group are included in the Strategic report section on pages 32 to 39.

Coronavirus (Covid-19)

The impact of Covid-19 on our business and its operations in FY20 and the mitigation of the risks arising from it are disclosed in our statement on page 06, in the CFO review on pages 32 to 39 and in How We Manage Our Risks on page 42.

Brexit

The United Kingdom left the European Union on 31 January 2020 and is now in a period of transition until at least the end of 2020, whilst the UK and EU negotiate additional arrangements. The Group's Brexit working party continues to meet to plan the management and mitigation of risks arising from the UK's departure. For further information on Brexit risk mitigation, please see the risk section, starting on page 42.

Risk management and internal controls

A description of the principal risks facing the business, emerging risks and the Group's approach to managing those risks is on pages 42 to 50 in 'How We Manage Our Risks'. Further information on the Group's system of internal controls and the review of those controls can also be found in that section and in the Audit Committee report on pages 79 to 84.

Financial risk management, policy and objectives

For further information on financial risk management, policy, objectives, the use of financial instruments and hedging policy, please refer to note 34 to the Financial Statements.

Approach to taxation and taxation governance

Our tax strategy seeks to ensure that the approach taken to our tax affairs is aligned with the high standards of corporate governance set by our Board to promote the interests of our investors, customers, colleagues and other stakeholders. We believe that our obligation is to pay the amount of tax legally due in any country in accordance with the rules set by the relevant government.

The Group's taxation strategy is determined by the Board and is reviewed on an annual basis by the Audit Committee. Operational responsibility for the taxation strategy rests with the Chief Financial Officer. The tax strategy is published on our website.

The Audit Committee considers taxation risk as any risks manifest themselves, or when they are identified by the Group's risk management framework. Where risks are reviewed, actions are agreed to mitigate them or to eliminate them, if possible. Internal controls are in place and these are subject to periodic internal audits. The Audit Committee reviews the management of tax risk on an annual basis.

Share capital, control and restrictions on voting rights

Details of our issued share capital are shown in note 35 to the Financial Statements on page 174.

We have one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings. The ordinary shares are listed on the Official List and traded on the London Stock Exchange.

There are no restrictions on the transfer of ordinary shares other than:

- certain restrictions which may from time to time be imposed by laws and regulations (for example, insider dealing);
- pursuant to the Listing Rules of the Financial Conduct Authority and Superdry's share dealing code whereby certain employees of the Group require approval to deal in its ordinary shares; and
- a letter of understanding in favour of the Group, under which Julian Dunkerton has agreed not to sell, dispose of or otherwise deal with (other than in the course of ordinary exceptions) his shareholding for a period expiring on 1 April 2021.

We are not aware of any arrangements between shareholders that may result in restrictions on the transfer of securities and/or voting rights.

The rules relating to the appointment and replacement of the Directors are contained in our Articles of Association. Specific rules regarding the election and re-election of Directors are referred to in the Corporate Governance report on pages 70 to 76. Changes to the Articles of Association must be approved by our shareholders.

Notifiable interests in issued share capital

As at 25 April 2020, the Group had been notified under the Disclosure and Transparency Rules (DTR5) of the following notifiable interests in the issued share capital. The information provided below was correct at the date of notification. These holdings may have changed since the Group was notified; however notification of any change is not required until a further notifiable threshold is crossed:

Directors' Report

CONTINUED

Notifications received as at 25 April 2020

	No of voting rights at date of notification	% of voting rights at date of notification	Nature of holding	Date of notification
Schroders plc	4,121,379	5.026%	Indirect	16 July 2019
Aggregate of Standard Life Aberdeen plc affiliated investment management entities with delegated voting rights on behalf of multiple managed portfolios	13,262,584	16.17%	Indirect	23 September 2019
Schroders plc	4,550,799	5.55%	Indirect	17 October 2019
Investec Asset Management Limited	8,165,460	9.96%	Indirect	13 November 2019
Aggregate of Standard Life Aberdeen plc affiliated investment management entities with delegated voting rights on behalf of multiple managed portfolios	13,052,893	15.92%	Indirect	23 December 2019
Aggregate of Standard Life Aberdeen plc affiliated investment management entities with delegated voting rights on behalf of multiple managed portfolios	12,232,755	14.92%	Indirect	2 March 2020
Aggregate of Standard Life Aberdeen plc affiliated investment management entities with delegated voting rights on behalf of multiple managed portfolios	12,167,922	14.84%	Indirect	3 March 2020
Aggregate of Standard Life Aberdeen plc affiliated investment management entities with delegated voting rights on behalf of multiple managed portfolios	11,166,732	13.62%	Indirect	23 March 2020
Aggregate of Standard Life Aberdeen plc affiliated investment management entities with delegated voting rights on behalf of multiple managed portfolios	10,616,134	12.95%	Indirect	30 March 2020
Aggregate of Standard Life Aberdeen plc affiliated investment management entities with delegated voting rights on behalf of multiple managed portfolios	10,461,454	12.76%	Indirect	3 April 2020

Share buy-backs

The Group proposes to renew the authority granted by shareholders at the AGM in 2019 to repurchase up to 10% of its issued share capital. During FY20, we did not purchase any of our own shares. Further details are set out in the notice of the AGM.

Share schemes

The Group presently operates three employee share schemes: a Performance Share Plan ('PSP'), Save As You Earn ('SAYE') and Buy As You Earn ('BAYE'). All shares allotted under these share schemes have the same rights as those already issued.

Under the BAYE share scheme, employees are entitled to acquire shares. These shares are held in trust by Computershare Trustees (the 'Trustees'). Voting rights are exercised by the Trustees on receipt of participant's instructions. If a participant does not submit an instruction to the Trustees, no vote is registered. In addition, the Trustees do not vote on any unawarded shares held under the BAYE scheme as surplus assets. The Trustees have also elected to waive dividends on any unawarded shares held under Trust relating to dividends payable during the year. As at 25 April 2020, the Trustees had no unawarded shares held in trust.

Superdry's Employee Benefit Trust ('Trust') has also waived all dividends payable in respect of the ordinary shares held by it. As at 25 April 2020, one share was held by the Trust.

Founder share plan

On 12 September 2017, the founders of Superdry launched a long-term incentive scheme (the 'FSP') under which they would share a percentage of the increase in their wealth with all colleagues in the business worldwide (excluding members of the Board). At the conclusion of the FSP, Julian Dunkerton and James Holder will transfer into a fund 20% of any gain from any increase in the share price over a threshold of £18. The shares to be used for the purpose of the FSP remain beneficially owned by Julian and James.

Directors and Directors' interests

Details of the Directors as at the date of this report can be found on pages 72 and 73. Details of Directors who served during FY20 can be found in the Corporate Governance report on page 70.

The interests of the Directors and their closely associated persons in the share capital as at 25 April 2020, along with the details of Directors' share awards are contained in the Directors' Remuneration Report on pages 85 to 104.

No Director has any other interest in any shares or loan stock of any Group company or was or is materially interested in any contract, other than his or her service contract, which was subsisting during or existing at the year end and which was significant in relation to the Group's business.

Details of Director indemnity provisions can be found in the Corporate Governance Report on page 76.

Related party transactions

Details of Related Party Transactions can be found in note 21 on page 159 of the Financial Statements. For details of Directors' service contracts please refer to page 95 in the Remuneration Report.

UK Code of Corporate Governance statement

Our statement can be found in the Corporate Governance Report on page 70.

The takeover directive

The rights and obligations attached to the issued share capital are set out in the Articles of Association, which are available on our website.

At the AGM in 2019, shareholders approved resolutions authorising the Group to:

- allot shares up to an aggregate nominal value of £1,366,647 (representing one third of our issued share capital as at 31 July 2019);
- approve the disapplication of pre-emption rights for cash issues of shares in respect of ordinary shares with a nominal value of £204,997 (representing approximately 5% of our issued share capital as at 31 July 2019); and
- approve an additional authority following changes in The Pre-Emption Group's Statement of Principles which provided that an allotment of up to an additional 5% of our issued share capital may also be made on a non-pre-emptive basis if that allotment was used only for the purposes of financing a transaction which the Board determined to be an acquisition or other capital investment (within the meaning of The Pre-Emption Group's Statement of Principles.)

Resolutions will be proposed at this year's AGM to renew these authorities. Further details are set out in the notice of the AGM.

Health and safety

The Group is committed to providing a safe and healthy environment to all of its employees, customers, suppliers and partners. Practices and policies are regularly reviewed to ensure that our approach to health and safety, training, risk assessments, safe systems of working and accident reporting remain appropriate. For further information on internal audit and risk management please see page 83.

Legal and regulatory compliance

The legal team is responsible for identifying and carrying out assessments of those areas of the business where material legal and regulatory risks may be present.

We continue to increase our controls on the use of standard agreements to achieve greater consistency and protection where we licence and franchise our brand.

We continue to train and advise the organisation with respect to our obligations under data protection, competition, anti-bribery and corruption and other applicable laws. We are also continually reviewing our intellectual property portfolio in light of our strategy for growth, and have made and will continue to make further registrations to ensure that our protection is robust.

Where issues are identified, mitigating actions are built into a plan involving the drafting and communication of policies and the delivery of training where appropriate, or are approached by way of a revision to key contractual terms. The Board receives regular reports on material litigation and the legal actions taken to support our strategy. The Audit Committee reviews the effectiveness of the internal controls framework on an annual basis.

Confidential whistleblowing lines are in place internationally and are managed through a third party provider. These cover all countries in which we operate. All matters arising from the use of the whistleblowing line are referred to the Company Secretarial team and investigated by the Human Resources team. The Audit Committee receives a summary of all matters arising through the whistleblowing line on an annual basis.

Greenhouse gas emissions, energy consumption and energy efficiency action

Please refer to the table on page 66 of the Sustainability Report. The proportion of carbon dioxide emissions reported that relates to the United Kingdom and offshore area is 43% (location based) and 26.2% (market based). The proportion of energy consumption reported that relates to the United Kingdom and offshore area is 50.1%.

Anti-Bribery and Corruption

The Group has an Anti-Bribery and Corruption Policy (the 'ABC Policy') in place, which is reviewed regularly by the Board. The ABC Policy was reviewed, updated and approved in July 2020. The ABC Policy sets out the legal obligations and responsibilities of employees in relation to Anti-Bribery and Corruption law, including decision trees for employees in relation to gifts and hospitality. A gift register is in place and colleagues must report and seek permission to accept gifts and hospitality over a prescribed financial value. The gift register is reviewed by the Audit Committee on an annual basis. Anti-Bribery and Corruption training is mandatory for all colleagues. Guidance is provided to colleagues along with information on how to manage these risks. ABC Policy information and compliance requirements are incorporated into our Supplier Manual and in our contractual arrangements with our partners. Annual supplier independent audits are used to ensure compliance with our Ethical Trading Code of Practice and we have strong escalation routes upon any breach of our ABC Policy. A Board-approved and Group-wide Code of Conduct is in place and is also reviewed by the Audit Committee on an annual basis. Any reported incidents of fraud are escalated to our Legal and Risk teams for immediate investigation and action and are also reported to the Board on an annual basis (or more frequently if necessary). There have been no such incidents in FY20. A whistleblowing line is in operation ('Safecall'), and details of how to contact Safecall are widely available to colleagues; there have been no reported incidents in relation to the ABC Policy in FY20. Controls associated with our ABC Policy have been captured within our newly developed Internal Controls Framework and assurance over their operational effectiveness will be provided as part of the ongoing embedding of this framework.

Political donations

No political donations or political expenditure have been made by the Group during this financial year.

Directors' Report

CONTINUED

Location of Disclosures

The table below sets out the location of disclosures that have been incorporated into the Directors' report by reference, including those required by LR 9.8.4:

Non-financial information statement

In accordance with Companies Act 2006 sections 414 (CA) and (CB), a non-financial information statement can be found in the Strategic Report on page 51, which sets out non-financial information reporting requirements and their locations.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report (including the Directors' Report) and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group financial statements for each financial year. Under that law, the Directors have prepared the Group and Company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and Article 4 of the IAS Regulation.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and their profit or loss for that period. In preparing each of the Group and Company financial statements, the Directors are required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS Standards are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy, at any time, the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a strategic report, Directors' report, Directors' Remuneration Report and corporate governance statement that comply with law and regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed on pages 72 and 73, confirms that to the best of their knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

Statement on disclosure of information to auditors

The Directors confirm that, so far as each is aware, there is no relevant audit information of which the auditors are unaware. Each of the Directors has taken all the steps he or she should have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

AGM

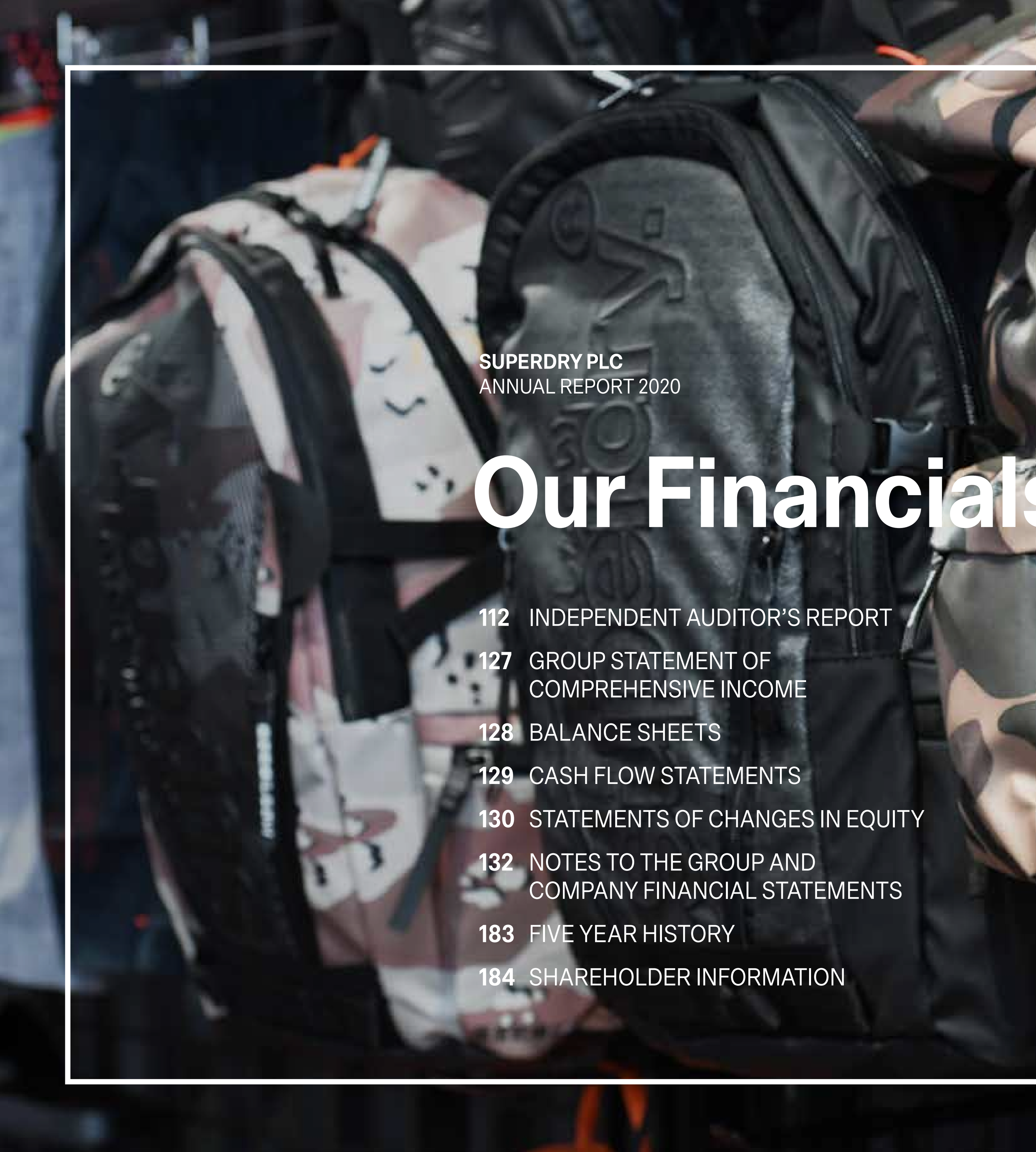
The AGM will be held on 22 October 2020 at 11.30am. The notice of the meeting will be available to view on our website in advance of the AGM.

The Directors' report was approved by the Board on 20 September 2020 and signed on its behalf by

RUTH DANIELS
Company Secretary
20 September 2020

Registered office:
Unit 60, The Runnings, Cheltenham, Gloucestershire GL51 9NW

Registered in England and Wales, registered number 07063562



SUPERDRY PLC
ANNUAL REPORT 2020

Our Financials


SUPERDRY

Independent Auditor's Report

to the members of Superdry Plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Superdry plc (the 'parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent Company's affairs as at 25 April 2020 and of the Group's loss for the 52 week period then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements which comprise:

- the Group Statement of Comprehensive Income;
- the Group and parent Company Balance Sheets;
- the Group and parent Company Statements of Changes in Equity;
- the Group and parent Company cash flow statements; and
- the related notes 1 to 40.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and parent Company for the 52 week period are disclosed in note 10 to the financial statements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Material uncertainty relating to going concern

We draw attention to note 1a in the financial statements and the detailed information on page 132, which indicates that a material uncertainty exists that may cast significant doubt on the Group and parent Company's ability to continue as a going concern.

The Group was in a net cash position of £36.7m (FY19 £35.9m) at the year-end and has since completed a refinancing of its facilities from a Revolving Credit Facility of £70m (available until January 2022) to a new Asset Backed Lending ("ABL") facility of up to £70m. The ABL is subject to a number of financial and non-financial covenants and the borrowing base will vary throughout the year dependent on the level of the Group's eligible inventory and receivables. The ABL expires in January 2023, with the option of the lender to extend for a further 12 months.

The covenants are tested quarterly and are based around the Group's earnings before interest, tax, depreciation, amortisation and rent ("EBITDAR") (calculated on frozen accounting standards, not adopting IFRS 16– see note 26) until the end of FY21 and fixed charge (rent and interest) cover thereafter. The EBITDAR covenant is with reference to an absolute level of profit, rather than a ratio. Consequently, it is most sensitive to the macroeconomic recovery and performance of the Group over the peak trading period in Q3 FY21.

The Group's cash flow forecasts indicate the requirement to draw down on the facility during the going concern period, but the ability to access sufficient funding to meet the business's cash flow needs is not guaranteed if the covenants in the ABL are not met. The ability of the Group to continue to trade as a going concern is dependent on the availability of sufficient, committed bank facilities.

The medium term plan has been used as the basis for Going Concern assessment and assumes the successful implementation of the turnaround strategy and a return to FY18 profitability and growth over the medium/longer term horizon. A material uncertainty with respect to going concern arises therefore on the ability of the Group to capture sufficient recovery in consumer demand.

The deterioration of the trading performance of the Group in both FY19 and FY20 (pre and post coronavirus) together with the uncertainties arising from the volatility in the retail sector and macro-economic environment (including Brexit), result in a greater level of management judgement in forecasting the Group's future trading and funding position compared to previous years.

Management's Base Case forecast indicates that the banking covenants will be met throughout the going concern period. Under the reverse stress test, which management considers to be more than a remote possibility given the uncertainty in the recovery in consumer demand, the Q3 FY21 and Q4 FY21 EBITDAR and Q1 FY22 fixed charge covenants would be breached. A material uncertainty with respect to going concern arises therefore on the ability of the Group to have access to sufficient, committed bank facilities.

The Audit Committee has included the adoption of the going concern basis of accounting as a key risk on page 82.

In response to this, we:

- Used specialists to perform testing on the mechanical accuracy of the model used to prepare the Group's cash flow forecast;
- Considered the consistency of management's forecasts with other areas of the audit, including the store impairment review;
- Challenged the key assumptions within the going concern assessment including the key assumptions in the Group's brand reset strategy which relate to revenue and gross margin growth and the ability of the Group to achieve estimated cost savings. We have challenged with reference to the historical trading performance, current trading uncertainty, market expectations and peer comparison;
- Engaged our internal restructuring services team to assist us in challenging the working capital assumptions within the going concern model;
- Obtained an understanding of the financing facilities available to the Group, including repayment terms and covenants;
- Assessed the impact of reverse stress testing on the Group's funding position and covenant calculations, including the appropriateness of coronavirus and Brexit assumptions;
- Assessed and challenged the mitigating actions available to management, should these be required to offset the impact of the forecast performance not being achieved;
- Assessed the appropriateness of risk factors disclosed in the Group's going concern statement; and
- Challenged the sufficiency of the Group's disclosures over the going concern basis and material uncertainties arising.

As stated on page 82, these events or conditions, along with the matters as set forth in note 1a to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's and the parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

4. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Going concern (see material uncertainty section above); • Impact of control deficiencies; • Store asset impairment and onerous property related contract provision; • Parent Company investment in subsidiaries and expected credit losses on intercompany loans; • Inventory provision; • Wholesale and other trade debtor recoverability; • Calculation of right of use asset and liability in the opening balance sheet upon adoption of IFRS 16 'Leases'; and • Classification and disclosure of exceptional and other items. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the Group financial statements was £3.5m, which was determined with reference to 0.5% of Group revenue. Given the volatility in performance during the year, Group revenue was considered the most appropriate performance measure on which to base materiality. £3.5m represents approximately 2% of Group statutory loss before tax and 3% of Group net assets.
Scoping	We focused our Group audit scope primarily on the audit work at 9 components. These components represent the principal business units and account for 91% of the Group's net assets, 91% of the Group's revenue and 94% of the Group's underlying profit before tax.
Significant changes in our approach	We have revised the basis for materiality and reduced our performance materiality percentage in the current year. Further details on this are provided in section 7 below. Our external audit for the 52 week period ended 27 April 2019 identified a number of control deficiencies which continue to be present in the current period. As such, we have identified the 'impact of control deficiencies' on our audit approach as a key audit matter in the current year. We have devised our audit strategy to respond to the risks within the retail market and the impact of coronavirus on the Group's future trading performance. As a result, we have elevated and extended the risk assessment associated with certain balances and judgement areas since the FY19 audit as set out below: • Wholesale and other trade debtor recoverability represents a new key audit matter given the increased likelihood of non-payment or delayed payment of debtor balances in the current economic environment; and • The implementation of IFRS 16 "Leases" has had a material impact on the Group's balance sheet and a key audit matter has been identified relating to the accounting judgements made by management on transition. In the prior year we identified management override of controls as a key audit matter given the significant changes to the Board and governance structure, as these changes have not re-occurred in the current year this is no longer identified as a key audit matter.

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5. Conclusions relating to principal risks and viability statement

Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Group's and the parent Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 44–50 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;
- the directors' confirmation on page 105 that they have carried out a robust assessment of the principal and emerging risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 39 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to going concern and the prospects of the Group required by Listing Rule 9.8.6R (3) is materially inconsistent with our knowledge obtained in the audit.

Viability means the ability of the Group to continue over the time horizon considered appropriate by the directors.

We highlight the impact on the viability of the business over the viability period of the matters disclosed in the material uncertainty relating to going concern section.

We also highlight the impact of a sustained downturn on the Group as a result of the new strategy not turning the business around and the inability of the Group to obtain further financing when the ABL is due for renewal in January 2023. Both of these matters would potentially threaten the viability of the business over the viability period as disclosed by the Directors' in their viability statement on page 39.

6. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the material uncertainty relating to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

6.1. Impact of control deficiencies

Key audit matter description

As discussed in the Audit Committee Report on page 79, the assessment of the effectiveness of the control environment is a significant issue which has been a focus area for the Group in the current year.

Our external audit for the 52 week period ended 27 April 2019 identified a number of control deficiencies which were reported to the Audit Committee. The nature of these deficiencies primarily related to the management review controls, balance sheet reconciliations and transactional processing controls. In addition, general IT control deficiencies relating to access, segregation of duties and change management controls were also identified. During FY20, a £3.9m prior year adjustment was identified in relation to inventory cost variances, which reflected the control deficiencies in this area of accounting, see note 36 for detail on this.

As a result of this, management commenced an exercise during the year assisted by a third party, to identify any control deficiencies in their business processes and design and implement new controls to address the issues identified. This project was still underway at 25 April 2020; the control deficiencies have been identified but management are continuing to address the improvements required.

As a result of the control deficiencies identified in the previous audit and the ongoing improvement project by management, we did not plan to adopt a controls reliant audit approach for FY20.

A significant number of misstatements have been identified during the FY20 external audit. In aggregate, the errors identified were material. These have subsequently been corrected by management. The misstatements identified are indicative of the ongoing control deficiencies within the Group as highlighted above. In addition, we have identified transactional processing control deficiencies relating to accounts payable. The control environment is a significant area of focus for the Audit Committee in the forthcoming year as discussed in their Report on page 79.

Deficiencies in the control environment increase the risk of fraud and error within the financial statements.

How the scope of our audit responded to the key audit matter	In order to respond to the pervasive risks arising from the deficiencies in the control environment we modified the nature, extent and timing of our audit procedures. Specifically: • We revised our materiality assessment (as described in section 7.2 below) to determine performance materiality as 60% of materiality as compared to 70% in the previous year. This increases the volume of substantive testing completed in the current year. • We conducted certain audit procedures on the period 10 balance sheet before the year end, in order to provide an earlier insight of the control environment to the Audit Committee. This also allowed us to modify our planned testing approach at year end (as set out below) in order to respond to the matters identified. • In response to the control deficiencies identified, we have elevated the risk assessment on a number of transactional balances including accounts payable and inventory, and have therefore performed increased sample testing. • We assessed each of the control deficiencies identified by management as a result of their internal controls review project, and designed specific audit procedures to mitigate the risks. • Senior members of the audit team have performed the audit testing directly in the more complex areas of accounting, for example inventory variance accounting. • We have increased the use of data analytics in our testing particularly with regards to revenue and stock where there are large volumes of transactional data. We have performed sample testing on the underlying transactional data used in this analysis in order to confirm its completeness and accuracy given the IT control deficiencies noted above. We have also used spreadsheet analysing tools to detect formula errors and other anomalies. • In response to the prior year error in stock cost variance accounting, we have performed detailed testing on stock cost variances held on the balance sheet at the year end to assess their validity and verified that the prior year adjustment itself was calculated correctly. • Specifically with regards to the control deficiencies identified in accounts payable we have increased the sample of supplier balances reconciled to third party confirmations at the year end as well as increasing our testing on the sufficiency of year end accrual balances. • The extension of the Company's reporting timetable required in order to give us additional time to perform the incremental audit work required as a result of the control deficiencies identified. It has also enabled us to use an extended hindsight period to assess the appropriateness of year end judgements.
Key observations	Whilst improvements have been made to the control environment over the year, there are still a number of significant improvements that need to be made in order to improve the accuracy and completeness of the underlying accounting records and reduce the number of misstatements identified. We appropriately increased the scope of our audit procedures to address the risks identified.

6.2. Store asset impairment and onerous property related contract provision

Key audit matter description	Under IFRS, the Group is required to complete an impairment review of its store portfolio where there are indicators of impairment. The net book value of the store assets and IFRS 16 right of use asset as at 25 April 2020 was £208.1m. This is after the recording of an impairment charge of £136.8m, following the assessment that was undertaken during the year, of which £15.6m relates to the store assets and £121.2m the IFRS 16 right of use asset. The impairment charge relates to 177 stores (2019: 114 stores). An onerous property related contract credit of £12.0m (2019: £86.9m charge) has also been recognised. The store impairment review involves management making several estimates to determine the Value In Use of the stores (being the net present value of the forecast cash flows). This is then compared to the book value of stores' assets (including the right of use asset), to identify whether any impairment is required. In making this assessment, management determines each store to be a cash generating unit. Stores are also assessed to determine whether an onerous property related contract provision for other property costs (e.g. service charge) is required. This includes those stores forecast to generate a net loss over the remainder of the lease term. The provision represents the present value of the estimated unavoidable property costs over the period of the remaining lease agreement, excluding rental and other costs which are accounted for separately under IFRS 16 'Leases'. The key audit matter relates to the appropriateness of management's estimate of future trading performance of the stores, which is used to derive Value In Use. Value In Use is calculated from cash flow projections and relies upon management's assumptions and estimates of future trading performance, allocation of direct costs and overheads, long-term growth rates and discount rates. This is particularly challenging in light of the significant impact of coronavirus and uncertainty over the pace and extent of recovery of the Group and the wider economy as the lockdown restrictions and associated store closures are eased. The impairment and onerous property related contract model is complex and is prepared using Excel spreadsheets which increases the scope for error. The impairment model utilises the forecasts included in the Board's medium term plan, which covers the periods up to April 2026. Assumptions beyond this period do not exceed the local country growth rate. The cash flows are discounted at the local discount rate. As set out in note 2, the model is highly sensitive to changes in forecast performance, most notably sales. The Board's medium term plan is prepared on a top down basis and not at an individual store level. For the purpose of the impairment review, an exercise has therefore been performed to allocate the forecast performance across the individual stores. This has involved management judgement. The forecast performance in the Board's medium term plan represents the change in strategy implemented by the new Board members last year. The implementation of this strategy is still in its early stages and has been impacted by the coronavirus pandemic. Consequently there is uncertainty regarding the ability to achieve the forecast store performance. The Group's trading performance post-Christmas (Q3 FY20) was below market expectations. The impact of coronavirus on the wider economy and the challenging environment in the retail sector add to this uncertainty. The key assumption in forecast store performance is a stabilisation of the like-for-like sales decline experienced in FY19 and FY20, reversing the impact of store closures as a result of coronavirus and returning the Group to FY18 profitability over the medium/longer term. Refer to notes 1 and 2 for the group's impairment accounting policies and the key assumptions used in the impairment assessment, as well as the significant issues section of the Audit Committee report.

How the scope of our audit responded to the key audit matter	Our audit focused on whether the judgements made by management in determining the store-based asset impairments and onerous property related contract provisions were appropriate. Our audit procedures included: • obtaining an understanding of key controls around the impairment review and onerous property related contract provisioning process; • assessing the methodology applied in performing the impairment review and onerous provision calculation, with reference to the requirements of IAS 36 'Impairment of Assets' and IAS 37 'Provisions' respectively; • determining whether management had appropriately modelled the impact of IFRS 16 when considering the cash flows within the impairment model; • assessing management's process of allocating the top-down medium term plan to the individual store impairment review and challenging the judgements applied by analysing both historic store performance data and performing a search for contradictory evidence; • challenging the key assumptions utilised in the cash flow forecasts including the key assumptions in the Group's brand reset strategy which relate to revenue and gross margin growth and the ability of the Group to achieve estimated cost savings, with reference to the historical trading performance, market expectations, and peer comparison; • challenging the allocation of direct and other costs to stores by assessing the individual costs against the criteria within IAS 36 and IAS 37; • assessing the long term growth rates and discount rates applied to the store cash flows by comparing the rates used to third party evidence. In relation to the discount rate, we have compared the rates used to our independently estimated discount rates determined by our internal valuations team; • engaging our specialist modelling team to assist in auditing the integrity of the excel model; • assessing management's sensitivity analysis in relation to the key assumptions used in the cash flow forecasts; and • evaluating the adequacy of the Group's disclosures regarding the store asset impairment and onerous contract provision in notes 2 and 6 of the financial statements.
Key observations	While a number of modelling improvements were identified and separately reported to management, we are satisfied with the integrity of the model. As set out above, the store impairment and onerous property related contract provision has required significant management judgement. In particular, it requires the successful implementation of the turnaround strategy which is still in its early stages and is in the context of a challenging retail sector where the long term impact of coronavirus on customer shopping habits is not yet known. The impairment and onerous contract provision is underpinned by the assumption the decline in like for like store sales is reversed and returned to growth in FY22. From the work performed, we concluded that the level of impairment and onerous property related contract provision recognised on the store estate is appropriate. Given the uncertainties noted, the disclosure sensitivities in note 2 provide important information to assess the impact of a change in key assumptions. We note that using the scenario determined by the reverse stress in management's going concern analysis on page 38, this would increase the impairment charge by £39.0m.

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6.3. Parent Company investment in subsidiaries and expected credit losses on intercompany loans

Key audit matter description	The carrying value of the investment in subsidiaries of £257.5m (2019: £411.7m) and the intercompany receivables of £252.1m (2019: £164.5m) have been assessed for impairment by reference to IAS 36 Impairment of Assets and IFRS 9 Financial Instruments respectively. Following the continued decline in business performance in the year, the revision of the Group's forecast performance and the reduction in the market capitalisation of the Group, this is considered to be a key audit matter. In assessing the recoverability of the intercompany receivables and the carrying value of the investment in subsidiaries, the Board's medium term plan has been used to estimate the value in use of each of the subsidiaries held. This is the same medium term plan used for the goodwill, intangibles and store impairment, deferred tax asset recoverability, going concern and long term viability assessments. As discussed in our key audit matter on store asset impairment, the forecast performance of the business is subject to uncertainty and requires management make several estimates to determine the Value In Use. Significant judgement is involved. The key audit matter relates to the appropriateness of management's assumptions and estimates of the future trading performance of the subsidiaries, which is particularly challenging in light of the impact of coronavirus. The model is highly sensitive to changes in the forecast performance, most notably sales. We note that the net assets of the parent Company (£225.4m) are significantly higher than the consolidated Group net assets of £112.7m. This reflects the difference in the basis of the impairment calculation between the two balance sheets. The impairment in the parent Company is determined using the cash flows in the medium term plan across all three channels (stores, Ecommerce and wholesale) extrapolated for a further five years, whereas the cash flows used for the impairment of store assets in the Group balance sheet is based on the store cash flows only limited to the existing lease term, which on average is four years. An impairment charge of £158.7m (2019: £51.3m) has been recognised in relation to the investment in subsidiaries and the loan loss allowance of £26.5m (2019: £44.2m) has been recognised in relation to intercompany balances.
How the scope of our audit responded to the key audit matter	Our audit procedures included: • challenging the key assumptions within management's forecasts as described in the store impairment key audit matter and material uncertainty relating to going concern section in notes 1 and 2; • comparing the economic value of the Group implied by the impairment model to the Group market capitalisation over FY20 in order to challenge the tenure of the cash flows (10 years) used in the impairment model; • testing the mechanical accuracy of the model; • assessing the methodology applied in reviewing the investments for impairment and assessing the recoverability of intercompany balances, with reference to the requirements of IAS 36 'Impairment of Assets' and IFRS 9 'Financial Instruments' respectively; • considering the consistency of management's forecasts with other areas of the audit, including the goodwill, intangible and store impairment, deferred tax asset recoverability and going concern; • assessing management's sensitivity analysis in relation to the key assumptions used in the cash flow forecasts; and • evaluating the adequacy of the Group's disclosures regarding the investment impairment and intercompany recoverability in notes 2, 20 and 24 of the financial statements.
Key observations	As set out above, the recoverability of the carrying value of the parent Company investment in subsidiaries and expected credit losses on intercompany loans requires significant management judgement regarding the future trading performance of the Group's subsidiaries. Future trading performance is based on the successful implementation of the Group's medium term financial plan. This is still in its early stages and is in the context of a challenging retail sector where the long term impact of coronavirus on customer shopping habits is not yet known. From the work performed, we are satisfied that the impairment recorded and the carrying value of the investments in subsidiaries and intercompany receivables are appropriate. Given the uncertainties noted, the disclosure sensitivities in note 2 provide important information to assess the impact of a change in key assumptions. We note that a 5% reduction in revenue would lead to an additional impairment of subsidiaries of £9.6m. Refer to note 2 for the assessment undertaken and sensitivity disclosures.

6.4. Inventory provision

Key audit matter description	As at 25 April 2020, the Group held £158.7m of inventory (2019 restated: £186.9m). The stock provision was £9.8m (2019: £4.8m), representing 6% (2019: 3%) of the balance. The increase in the inventory provision in the current year relates to additional provisions made for excess stock held as a result of the store closures and global lockdown restrictions as a result of the coronavirus pandemic. The valuation of inventory involves management judgement in recording provisions for slow moving or obsolete inventory. The Group accounting policy is based upon the ageing of inventory by season, with a percentage provision applied which reflects the actual historical rate of losses made. In addition, specific provisions are made for known product quality issues and product ranges which management considers unlikely to be sold through regular clearance channels. An additional provision has been recorded in the year based on excess stock units held at the balance sheet date. The calculation of the stock provision requires management judgement to assess the quality of products provided for and the expected realisable value based on the quantities held and expected sell through patterns. Historically, negligible stock was sold at a loss or written off and as such, management's provisioning policy was applied only to stock over 6 seasons old. Following the coronavirus outbreak the level of stock less than 6 seasons old has increased significantly compared to budgeted levels and there is less certainty of being able to sell through the stock above cost. Management has therefore recognised an additional provision of £6.1m against newer stock based on excess stock units held. Refer to note 1 for the Group's inventory provisioning policy, note 23 and the Audit Committee report.
How the scope of our audit responded to the key audit matter	We obtained evidence over the appropriateness of management's assumptions applied in calculating the value of inventory provisions by: • obtaining an understanding of controls that the Group has established regarding the inventory provision; • considering the historical accuracy of management's provisioning percentages for inventory through a retrospective review of the level of provision recorded in prior years compared to the actual level of stock written off to the provision held; • considering the post year end sell through and margin of stock less than 6 seasons old compared to the additional provision recognised to assess the appropriateness of management's additional coronavirus related provision; • comparing the methodology applied in calculating the inventory obsolescence provision to the Group's policy and recalculated the provision, with reference to the policy; • using data analytics to analyse the sell through rates of stock in the year and post year end in order to determine an independent expectation of the year end stock provision; and • verifying the accuracy of the data used in the calculation by testing the season ageing of a sample of stock items back to supplier invoice.
Key observations	From the work performed above, we concluded that the level of inventory provision is appropriate. We note the sensitivity disclosures in note 2.

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6.5. Wholesale and other trade debtor recoverability

Key audit matter description	At 25 April 2020, gross trade debtors of £75.8m of were held by the Group (2019: £93.0m) with a provision for expected credit losses of £14.6m (2019: £5.4m). Many businesses are struggling financially due to coronavirus and one of the first steps taken by some is delaying payments to suppliers. As a result there is an increased risk over wholesale and other trade debtor recoverability and increased management judgement regarding expected credit losses. Under IFRS 9, management is required to consider all expected credit losses based on historic, current and forward-looking information. Management has reassessed the expected credit losses on trade receivables, including considering whether their existing bad debt policy remains appropriate. This required significant judgement around future lifetime expected credit losses on the entire debtor book and resulted in a greater provisioning rate than that previously applied by management. Refer to note 1 for the Group's receivable provisioning policy, note 24 receivables and the Audit Committee report.
How the scope of our audit responded to the key audit matter	Our audit procedures included the following; • obtaining an understanding of the key controls regarding management's provisioning policy and the assessment of expected credit losses; • assessing management's provision policy including mechanical accuracy, and considering expected credit losses by country and validating country specific risk factors to external reports in light of the coronavirus macroeconomic impact; • assessing subsequent cash receipts and write-offs with reference to the provision recognised by management; • discussing ongoing disputes with legal counsel; and • reading correspondence with key debtors regarding payment plans.
Key observations	From the work performed above, we concluded that wholesale and other trade debtors are recoverable and a sufficient provision has been recognised. We note that the provision is based on management's estimate of future credit losses and irrecoverable debt; there could be a material movement in the provision in future periods if these debts were recovered, see note 2 for further details.

6.6. Calculation of right of use asset and liability in the opening balance sheet upon adoption of IFRS 16 'leases'

Key audit matter description	The current period is the first period in which the business has implemented IFRS 16 'Leases'. The Group has elected to apply IFRS 16 Leases under the modified retrospective transition option from 27 April 2019. Management determined there to be an increase in total assets of £282.4m and an increase in total liabilities of £279.1m for the opening transition balance sheet at 27 April 2019. Our key audit matter focused on determining the accuracy of the calculation for the right of use asset and liability recognised on transition, including the determination of the incremental borrowing rate used to discount the cash flows and the judgement regarding lease tenure where a break clause existed in the contract. Our work also focused on testing that all leases were identified and accounted for under IFRS 16 and the adequacy of the disclosures made regarding the impact of transition on the Group's financial position. We have also assessed whether lease modifications made as a result of the coronavirus pandemic have been accounted for correctly under IFRS 16. The Audit Committee considers this to be a significant matter. Their consideration is on page 79. Further information is set out in note 3 to the financial statements.
How the scope of our audit responded to the key audit matter	To address this risk our audit procedures included: • obtaining an understanding of key controls over the identification of new leases, the underlying lease data and the associated disclosures; • verifying the accuracy of the underlying lease data by agreeing a representative sample of leases to original contract or other supporting information; • checking the integrity and mechanical accuracy of the IFRS 16 calculations for each lease sampled through recalculation of the expected IFRS 16 adjustment; • assessing management's assumption regarding lease length used in the calculation of the right of use asset and liability to determine whether it was consistent with the medium term financial plan and the Group's strategic initiatives to remain in stores rather than exit at the break; • considering the completeness of the IFRS 16 adjustments by testing the reconciliation to the Group's operating lease commitments as reported in the prior year's financial statements to reported IFRS 16 numbers; • involving experts to test the incremental borrowing rate used by management to calculate the right of use asset and liability; • through discussions with those involved in the lease re-negotiations understanding any modifications made in the period and assessing the relevant accounting implications; and • assessing whether the IFRS 16 disclosures within the financial statements are accurate and complete.
Key observations	From the work performed above, we are satisfied that the lease data underpinning the IFRS 16 disclosures is complete and accurate and that new lease arrangements entered in during the financial 52 week period ended 25 April 2020 have been captured appropriately. The disclosures management have made in relation to IFRS 16 are appropriate.

6.7. Classification and disclosure of exceptional and other items

Key audit matter description

Exceptional and other items for the 52 week period ended 25 April 2020 are £107.7m charge (2019: £128.2m charge) and includes the store impairment and onerous property related contract provision, restructuring, strategic change and other costs, the fair value movement in financial instruments and the IFRS 2 charge associate with the Founder Share Plan. Further details are contained within note 6 of the financial statements.

The appropriateness of the classification of items excluded from underlying trading performance, alongside the related alternative performance measures, is a key area of audit focus particularly in light of the coronavirus pandemic and the potential for management to attribute exceptional items to the pandemic which are difficult to quantify and could be misleading.

The impairment and onerous property related contracts provision of £124.8m (2019: £129.5m) has been disclosed as an 'exceptional and other item' due to its size, nature and incidence.

The costs of £1.5m associated with the Group's exit from the joint venture in China have also been disclosed as exceptional due to their nature as they relate to the Group's strategic change.

The £1.9m fair value re-measurement of foreign exchange contracts (2019: £23.9m) has been classified as 'exceptional and other' due to both the size and nature. This is because the unrealised gains and losses on these trades are not a reflection of the underlying trading performance of the business. When the contracts mature, the profit or loss is reflected in underlying profit/loss before tax. Further details are set out in note 37. This is consistent with the disclosure adopted in the prior year.

As set out in note 6, the Founder Share Plan Scheme is one off in nature and unusual in that the share awards are funded exclusively by the Founders. Whilst the charge is spread over a number of years, the plan is a one-time scheme and will not be renewed should the share price fail to reach the target vesting price. Accordingly, the IFRS 2 charge in respect of the FSP is considered to be 'exceptional and other' due to the size, nature and incidence of the scheme. This is consistent with the disclosure adopted in the prior year.

The Group has established definitions of exceptional items which are disclosed in note 37. The Group's principal accounting policy on use of non-GAAP measures is in note 1 and the judgements made in applying the accounting policy are disclosed in note 2.

The classification and presentation of exceptional items is a significant issue considered by the Audit Committee as discussed on page 79.

How the scope of our audit responded to the key audit matter

We carried out the following procedures in assessing the classification of "exceptional items and other":

- obtaining an understanding of controls around the Group's classification of "exceptional items and other";
- agreeing a sample of exceptional items to supporting evidence;
- evaluating the presentation of exceptional items, both individually and in aggregate, considering consistency with the Group's definition of exceptional items, IAS 1 and latest guidance from the FRC and the European Securities and Markets Authority, specifically considering recent guidance in light of the coronavirus pandemic;
- assessing management's application of the policy on exceptional items for consistency with previous accounting periods;
- assessing whether the disclosures within the financial statements provide sufficient detail for the reader to understand the nature of these items; and
- for all significant adjustments recorded in calculating underlying profits, discussing the appropriateness of the item and any disclosure considerations with the Audit Committee. We determined whether these items are adequately disclosed and reconciled in the Alternative Performance measures disclosure (note 37).

Key observations

From the work performed above, we concluded that the classification and disclosure of the exceptional and other items is appropriate.

We note that the inclusion of the Founder Share Plan Scheme and fair value re-measurement of foreign exchange contracts whilst recurring items and therefore not one off in nature are included within 'exceptional and other items' which is consistent with the prior year.

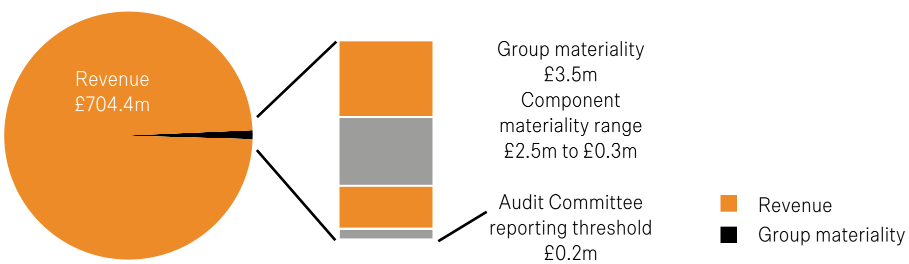
7. Our application of materiality

7.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£3.5m (2019: £3.8m)	£3.0m (2019: £3.4m)
Basis for determining materiality	The materiality that we used for the Group financial statements was £3.5m which was determined with reference to 0.5% of Group revenue. In 2019, materiality was determined as 5% of the three year average of underlying profit before tax for the years ending April 2017 to April 2019 and equated to 9.1% of underlying profit before tax or approximately 0.5% of Group revenue.	The basis of materiality is net assets. The materiality is 1.3% (2019: 0.9%) of the parent Company's net assets.
Rationale for the benchmark applied	In our professional judgement we believe that revenue is the most appropriate benchmark to determine materiality as it reflects the size and scale of the Group and is more stable than profit before tax. £3.5m represents approximately 2% of Group statutory loss before tax and 3% of Group net assets.	In determining our final materiality, based on our professional judgement, we have considered net assets as the appropriate measure given the parent Company is primarily a holding company for the Group. We then capped materiality at 85% of Group materiality (2019: 90%).



7.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 60% of group materiality for the 2020 audit (2019: 70%). In determining performance materiality, we considered the following factors:

- our risk assessment, including our assessment of the Group's overall control environment and that as described above in a key audit matter a number of control deficiencies were identified; and
- our past experience of the audit, including the value and quantum of corrected and uncorrected misstatements in prior periods and our expectation of the likelihood of misstatements recurring in the current period as a result of the continuing control deficiencies.

7.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £175,000 (2019: £190,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

8. An overview of the scope of our audit

8.1. Identification and scoping of components

Our group audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level.

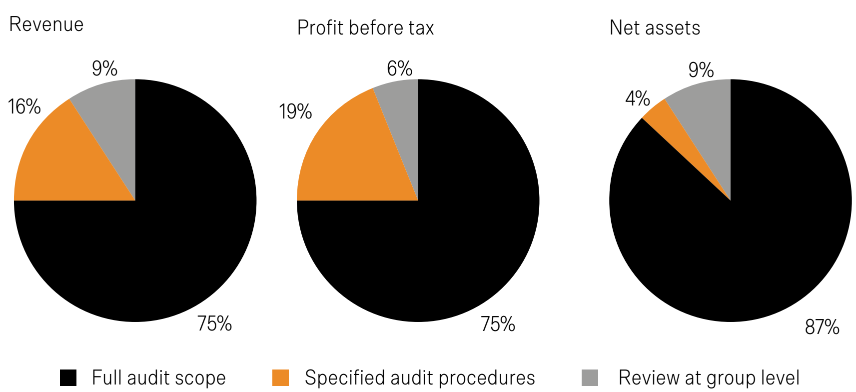
Based on that assessment, we focused our group audit scope primarily on the audit work at 9 (2019: 7) components. 4 (2019: 4) of these were subject to a full audit being DKH Retail Limited, C-Retail Limited, SuperGroup Internet Limited and Superdry Plc (parent Company). The remaining 5 components (2019: 3) being Germany, Austria, Belgium, US wholesale and US retail were subject to specified audit procedures where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those components. In the current year, the US wholesale and retail components have been split into two separate components, as have Germany and Austria. This accounts for the overall increase in the number of components year on year, although the scope of the audit is consistent with the prior year.

These components represent the principal business units and account for 91% (2019: 92%) of the Group's net assets, 91% (2019: 89%) of the Group's revenue and 94% (2019: 92%) of the Group's underlying loss before tax. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above.

Our audit work at the components was executed at levels of materiality applicable to each individual entity which were lower than group materiality and ranged from £0.3m to £2.5m (2019: £1.5m to £2.3m).

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

All audit work for the purpose of expressing an opinion on the Group's financial statements is performed by the Group audit team as the accounting records are held centrally, with the exception of stock counts which are performed by local country Deloitte audit teams all of whom receive a briefing by the Group audit team prior to attending the count. Consistent with the prior year, the investment in the joint venture in China and the recoverability of loan balances was audited by the Group audit team.



8.2. Our consideration of the control environment

We identified the main finance systems, stock systems and in-store transaction processing systems as the key IT systems relevant to our audit. The IT systems are primarily managed from the centralised IT function in the UK. We engaged our IT audit specialists to evaluate the IT systems and determine whether they could be relied upon to support our audit.

A number of IT control deficiencies were identified in the 2018 audit which remain unresolved, primarily relating to third party operated controls for which a service auditor's report was not available and hence the operation of these controls could not be tested. We also identified deficiencies in access, segregation of duties and change management controls. As a result of these findings we are unable to adopt a controls based audit approach, consistent with the 2018 and 2019 audits.

As described by in the Audit Committee Report on page 79, management has implemented a controls improvement project which has identified a significant number of areas for improvement. Accordingly, we extended the scope of our substantive audit procedures in response to the identified deficiencies. Further details are set out in the 'impact of control deficiencies' key audit matter in section 6.1 above.

9. Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- **Fair, balanced and understandable** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

10. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

11. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

12. Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

12.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment (in particular the deficiencies we identified in this area, see 6.1 above) and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the Group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the board on 18 September 2020;
- results of our enquiries of management, internal audit and the audit committee about their own identification and assessment of the risks of irregularities;
- the Group's compliance with rules and regulations associated with government grants and assistance which have been taken advantage of in the current period;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and involving relevant internal specialists, including tax, valuations, IT, and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas:

- Store asset impairment and onerous property related contract provisions;
- Inventory provision;
- Wholesale and other trade debtor provisions;
- Completeness of Wholesale returns provision; and
- Classification and disclosure of exceptional and other items.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, UK Corporate governance legislation, and tax legislation etc.

In addition, we considered whether there were provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty such as HMRC legislation in relation to government grants.

Independent Auditor's Report

to the members of Superdry Plc

12.2. Audit response to risks identified

As a result of performing the above, we identified store asset impairment and onerous property related contract provisions, inventory provision, wholesale and other trade debtor provisions, and classification and disclosure of exceptional and other items as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC;
- engaging specialists to assist in assessing the Group's compliance with rules and regulations associated with government grants and assistance which have been taken advantage of in the current period;
- performing specific procedures on the completeness of the wholesale provision including challenging the assumptions made with reference to historical data and post year end returns received; and
- addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

13. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters

15.1. Auditor tenure

We were appointed by the Board of Directors on 12 September 2017 to audit the financial statements for the 52 week period ended 28 April 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is three years, covering the years ended 28 April 2018 to 25 April 2020.

15.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Edward Hanson
(Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

20 September 2020

Group Statement of Comprehensive Income

to the members of Superdry Plc

	Note	Underlying* 2020 £m	Exceptional and other items (note 6) £m	Total 2020 £m	Restated** Underlying 2019 £m	Exceptional and other items (note 6) £m	Restated** Total 2019 £m
Revenue	4	**704.4**	**–**	**704.4**	871.7	–	871.7
Cost of sales		**(326.5)**	**–**	**(326.5)**	(391.3)	–	(391.3)
Gross profit		**377.9**	**–**	**377.9**	480.4	–	480.4
Selling, general and administrative expenses	5	**(412.1)**	**(127.0)**	**(539.1)**	(447.0)	(140.2)	(587.2)
Other gains and losses (net)	11	**9.1**	**1.9**	**11.0**	10.8	23.9	34.7
Impairment losses on trade receivables	24	**(9.2)**	**–**	**(9.2)**	–	–	–
Operating (loss)/profit	12	**(34.3)**	**(125.1)**	**(159.4)**	44.2	(116.3)	(72.1)
Finance income	13	**0.2**	**–**	**0.2**	0.3	–	0.3
Finance expense	13	**(7.7)**	**–**	**(7.7)**	(1.3)	–	(1.3)
Impairment losses on other financial assets	20,24	**–**	**–**	**–**	(1.5)	(8.5)	(10.0)
Share of loss of joint venture	20	**–**	**–**	**–**	(3.7)	(2.5)	(6.2)
(Loss)/profit before tax	4	**(41.8)**	**(125.1)**	**(166.9)**	38.0	(127.3)	(89.3)
Tax credit/(expense)	14	**6.1**	**17.4**	**23.5**	(11.5)	(0.9)	(12.4)
(Loss)/profit for the period		**(35.7)**	**(107.7)**	**(143.4)**	26.5	(128.2)	(101.7)
Attributable to:							
Owners of the Company		**(35.7)**	**(107.7)**	**(143.4)**	26.5	(128.2)	(101.7)
Other comprehensive expense net of tax:							
Items that may be subsequently reclassified to profit or loss							
Currency translation differences		**(2.5)**	**–**	**(2.5)**	(1.4)	–	(1.4)
Total comprehensive (expenses)/income for the period		**(38.2)**	**(107.7)**	**(145.9)**	25.1	(128.2)	(103.1)
Attributable to:							
Owners of the Company		**(38.2)**	**(107.7)**	**(145.9)**	25.1	(128.2)	(103.1)
		pence per share		pence per share	pence per share		pence per share
Earnings per share:							
Basic	16	**(43.5)**		**(174.9)**	32.4		(124.2)
Diluted	16	**(43.3)**		**(174.1)**	32.3		(123.9)

* Underlying is defined in note 37.

** The reported comparatives have been restated to reflect a prior year adjustment, see note 36 in the Notes to the Group and Company Financial statements.

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

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 not to present the Company statement of comprehensive income.

The notes on pages 132 to 182 inclusive are an integral part of the Group and Company financial statements.

Balance Sheets

to the members of Superdry Plc Registered number: 07063562

	Note	Group 25 April 2020 £m	Group Restated* 27 April 2019** £m	Company 25 April 2020 £m	Company Restated 27 April 2019** £m
ASSETS					
Non-current assets					
Property, plant and equipment	18	**41.7**	74.1	**5.2**	8.2
Right of use assets	30	**118.0**	–	**5.5**	–
Intangible assets	19	**48.4**	51.5	**16.3**	17.0
Investments in subsidiaries	20	**–**	–	**257.5**	411.7
Deferred tax assets	22	**53.3**	32.8	**2.0**	1.2
Derivative financial instruments	34	**0.1**	1.3	**–**	–
Total non-current assets		**261.5**	159.7	**286.5**	438.1
Current assets					
Inventories	23	**158.7**	186.9	**2.3**	2.1
Trade and other receivables	24	**91.6**	122.4	**257.9**	184.0
Derivative financial instruments	34	**2.5**	0.4	**–**	–
Assets classified as held for sale	18	**–**	2.4	**–**	2.4
Current tax receivables		**6.8**	0.3	**4.2**	–
Cash and bank balances**	25	**307.4**	49.5	**3.2**	1.0
Total current assets		**567.0**	361.9	**267.6**	189.5
LIABILITIES					
Current liabilities					
Borrowings**	26	**270.7**	13.6	**60.1**	0.5
Trade and other payables	27	**103.3**	127.3	**260.2**	248.4
Provisions for other liabilities and charges	28	**4.2**	18.1	**0.1**	1.0
Derivative financial instruments	34	**2.1**	1.4	**–**	–
Lease liabilities	30	**80.1**	–	**1.8**	–
Total current liabilities		**460.4**	160.4	**322.2**	249.9
Net current assets/(liabilities)		**106.6**	201.5	**(54.6)**	(60.4)
Non-current liabilities					
Trade and other payables	27	**2.2**	39.3	**–**	0.3
Provisions for other liabilities and charges	28	**10.8**	61.6	**0.2**	1.8
Deferred tax liabilities	22	**–**	0.8		
Derivative financial instruments	34	**0.2**	2.0	**–**	–
Deferred liabilities		**1.4**	–	**–**	–
Lease liabilities	30	**240.8**	–	**6.3**	–
Total non-current liabilities		**255.4**	103.7	**6.5**	2.1
Net assets		**112.7**	257.5	**225.4**	375.6
EQUITY					
Share capital	35	**4.1**	4.1	**4.1**	4.1
Share premium		**149.1**	149.1	**149.1**	149.1
Translation reserve		**(5.5)**	(3.0)	**–**	–
Merger reserve		**(302.5)**	(302.5)	**–**	–
Retained earnings		**267.5**	409.8	**72.2**	222.4
Total equity		**112.7**	257.5	**225.4**	375.6

* The reported comparatives have been restated to reflect a prior year adjustment, see note 36 in the Notes to the Group and Company Financial Statements ** 2019 balances for cash and borrowings have been restated to reflect the grossing up of cash and overdraft balances subject to the group's cash pooling arrangements and to ensure the Group's presentation of these balances is in line with the requirements for offsetting in accordance with IAS 32. See note 36.

The Company loss for the year is £148.0m (2019: £136.5m loss). The notes on pages 127 to 182 inclusive are an integral part of the Group and Company financial statements. The financial statements on pages 112 to 184 were approved by the Board of Directors and authorised for issue on 20 September 2020 and signed on its behalf by:

JULIAN DUNKERTON
Chief Executive Officer

NICK GRESHAM
Chief Financial Officer

Cash Flow Statements

to the members of Superdry Plc

	Note	Group 2020 £m	Group 2019** £m	Company 2020 £m	Company 2019** £m
Cash generated from operating activities	32	**87.5**	54.6	**(30.7)**	67.9
Interest paid		**–**	(1.0)	**–**	(5.2)
Tax paid		**(2.2)**	(15.9)	**(4.2)**	(13.9)
Net cash generated from operating activities		**85.3**	37.7	**(34.9)**	48.8
Cash flow from investing activities					
Investments in subsidiaries	20	**–**	–	**(3.6)**	(2.3)
Investment in joint ventures	20	**–**	–	**–**	–
Long-term loan to joint venture	20	**–**	(5.0)	**–**	(5.0)
Purchase of property, plant and equipment		**(6.4)**	(15.7)	**(1.5)**	(3.7)
Purchase of intangible assets		**(7.5)**	(8.7)	**(4.7)**	(5.7)
Proceeds from disposal of assets held for sale		**2.4**	–	**2.4**	–
Net cash used in investing activities		**(11.5)**	(29.4)	**(7.4)**	(16.7)
Cash flow from financing activities					
Dividend payments	17	**(3.4)**	(46.0)	**(3.4)**	(46.0)
Proceeds of issue of share capital		**–**	0.1	**–**	0.1
Draw down of RCF**		**(30.0)**	(21.5)	**(30.0)**	(21.5)
Repayment of RCF**		**30.0**	21.5	**30.0**	21.5
Net interest paid*		**(7.5)**	–	**(9.8)**	–
Repayment of leases – principal amount	30	**(61.1)**	–	**(1.8)**	–
Net cash used in financing activities		**(72.0)**	(45.9)	**(15.0)**	(45.9)
Net increase/(decrease) in cash and cash equivalents	33	**1.8**	(37.6)	**(57.3)**	(13.8)
Net cash and cash equivalents at beginning of period	33	**35.9**	75.8	**0.5**	14.0
Exchange (losses)/gains on cash and cash equivalents		**(1.0)**	(2.3)	**(0.1)**	0.3
Net cash and cash equivalents/(debt) at end of period		**36.7**	35.9	**(56.9)**	0.5

* The lines indicated are impacted by the application of IFRS 16 in the current year only. Refer to note 3 for further details.
** The 2019 figures have been represented to show the draw down and repayment of the RCF.

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

The notes on pages 132 to 182 inclusive are an integral part of the Group and Company financial statements.

Statements of Changes in Equity

to the members of Superdry Plc

Group	Note	Share capital £m	Share premium £m	Translation reserve £m	Merger reserve £m	Retained earnings* £m	Total equity £m
Balance at 28 April 2018		4.1	149.0	(1.6)	(302.5)	554.0	403.0
Comprehensive expense							
Loss for the period		–	–	–	–	(98.5)	(98.5)
Effect of prior year restatement (see Note 36)		–	–	–	–	(3.2)	(3.2)
Restated loss for the period		–	–	–	–	(101.7)	(101.7)
Other comprehensive expense							
Currency translation differences		–	–	(1.4)	–	–	(1.4)
Total other comprehensive expense		–	–	(1.4)	–	–	(1.4)
Restated total comprehensive expense for the period		–	–	(1.4)	–	(101.7)	(103.1)
Transactions with owners							
Employee share award schemes	8,9	–	–	–	–	3.5	3.5
Shares issued		–	0.1	–	–	–	0.1
Dividend payments	17	–	–	–	–	(46.0)	(46.0)
Total transactions with owners		–	0.1	–	–	(42.5)	(42.4)
Restated balance at 27 April 2019		4.1	149.1	(3.0)	(302.5)	409.8	257.5
Effect of change in accounting policy for initial application of IFRS 16 (see Note 3)		–	–	–	–	3.3	3.3
Restated balance at 27 April 2019		4.1	149.1	(3.0)	(302.5)	413.1	260.8
Comprehensive expense							
Loss for the period		–	–	–	–	(143.4)	(143.4)
Other comprehensive expense							
Currency translation differences		–	–	(2.5)	–	–	(2.5)
Total other comprehensive expense		–	–	(2.5)	–	–	(2.5)
Total comprehensive expense for the period		–	–	(2.5)	–	(143.4)	(145.9)
Transactions with owners							
Employee share award schemes	8,9	–	–	–	–	1.2	1.2
Dividend payments	17	–	–	–	–	(3.4)	(3.4)
Total transactions with owners		–	–	–	–	(2.2)	(2.2)
Balance at 25 April 2020		4.1	149.1	(5.5)	(302.5)	267.5	112.7

* The reported comparatives have been restated to reflect a prior year adjustment, see note 36 in the Notes to the Group and Company Financial Statements

Statements of Changes in Equity

to the members of Superdry Plc

Company	Note	Share capital £m	Share premium £m	Retained earnings £m	Total equity £m
Balance at 28 April 2018		4.1	149.0	401.5	554.6
Comprehensive expense					
Loss for the period	15	–	–	(136.5)	(136.5)
Total comprehensive expense for the period		–	–	(136.5)	(136.5)
Transactions with owners					
Employee share award schemes	8,9	–	–	3.5	3.5
Shares issued		–	0.1	–	0.1
Exchange differences		–	–	(0.1)	(0.1)
Dividends paid	17	–	–	(46.0)	(46.0)
Total transactions with owners		–	0.1	(42.6)	(42.5)
Balance at 27 April 2019		4.1	149.1	222.4	375.6
Comprehensive income					
(Loss)/profit for the period	15	–	–	(148.0)	(148.0)
Total comprehensive income for the period		–	–	(148.0)	(148.0)
Transactions with owners					
Employee share award schemes	8,9	–	–	1.2	1.2
Dividends paid	17	–	–	(3.4)	(3.4)
Total transactions with owners		–	–	(2.2)	(2.2)
Balance at 25 April 2020		4.1	149.1	72.2	225.4

Distributable reserves for the Company as at 25 April 2020 are £72.2m (2019: £222.4m).

The notes on pages 132 to 182 inclusive are an integral part of the Group and Company financial statements.

Notes to the Group and Company Financial Statements

to the members of Superdry Plc

1. Principal accounting policies

a) Basis of preparation

The financial statements of Superdry Plc (the "**Company**") and Superdry Plc and its subsidiary undertakings in the UK, the Republic of Ireland, Belgium, France, India, Hong Kong, Germany, the Netherlands, Spain, Turkey, Scandinavia and the United States of America as detailed in note 20 (the "**Group**") have been prepared on a going concern basis under the historical cost convention as modified by fair values, in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation. Also, they have been prepared in accordance with the Companies Act 2006 applicable to companies reporting under IFRS.

For the reasons set out in the going concern statement on page 39 the Directors noted that the risks set out there indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as a going concern and therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

Material uncertainty relates to:

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

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

The Company is a public company limited by shares incorporated in the United Kingdom under the Companies Act and is registered in England and Wales. The address of the Company's office is shown on page 182. The current period ("**2020**") is for the 52 weeks ended 25 April 2020 (2019: 52 weeks ended 27 April 2019 ("**2019**")).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgement (note 2) in the process of applying the Group's accounting policies. These policies have been consistently applied to all periods presented unless otherwise stated. The Group financial statements are presented in Sterling and all values are rounded to the nearest hundred thousand except where indicated.

b) Basis of consolidation

Consolidated subsidiaries are those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The results of any subsidiaries acquired during the period are included in the Group statement of comprehensive income from the date on which control is transferred to the Group. Accounting policies of subsidiaries are changed when necessary to ensure consistency with the accounting policies adopted by the Group.

Under IFRS 11 'Joint Arrangements', investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

The Group determines, at each reporting date, whether there is any objective evidence that the investment in joint ventures is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint ventures and the carrying value and recognises the amount adjacent to "share of profit or loss of joint venture" in the Group statement of comprehensive income. Intercompany transactions and balances are eliminated on consolidation.

c) Business combinations

The Group uses the acquisition method of accounting to account for business combinations of entities not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

d) Foreign currencies

The consolidated financial information is presented in Sterling, which is the Company's functional and the Group's presentation currency. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling at the balance sheet date. Resulting exchange gains and losses are recognised in the Group statement of comprehensive income. Upon consolidation, the assets and liabilities of the Group's foreign operations are translated at the rate of exchange ruling at the balance sheet date. Income and expense items of foreign operations are translated at the actual rate or average rate if not materially different. Differences on translation are recognised in other comprehensive income.

e) Revenue recognition

Revenue is measured at the fair value of the consideration received, or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes.

Own store revenue – retail stream

Own store revenue from the provision of sale of goods is recognised at the point of sale of a product to the customer. Own store sales are settled in cash or by credit or payment card. It is the Group's policy to sell its products to the customer with a right to exchange or full refund within 28 days subject to discretionary extension. Provisions are made for own store returns based on the expected level of returns, which in turn is based upon the historical rate of returns. At the point of sale, a refund liability and corresponding adjustment to revenue is recognised for those products expected to be returned.

Concession revenue – retail stream

Concession revenues from the provision of sale of goods are recognised gross at the point of sale of a product to the customer; this is on the basis that the vendor acts as principal. Concession revenues are settled in cash, by the concession grantors net of commissions or other fees payable. It is the concessions' policy to sell its products with a right to exchange within 28 days and a cash refund within 14 days. Provisions are made for concession returns based on the expected level of returns, which in turn is based upon the historical rate of returns. At the point of sale, a refund liability and corresponding adjustment to revenue is recognised for those products expected to be returned.

Ecommerce revenue – retail stream
Revenue from the provision of the sale of goods on the internet is recognised at the point that control of the inventory has passed to the customer, which is when the goods are received by the customer. Transactions are settled by credit card, payment card or PayPal. Customers have a right to exchange or full refund within a range of 21 to 100 days, depending on the website the purchase is made from. Provisions are made for e-commerce credit notes based on the expected level of returns, which in turn is based upon the historical rate of returns. At the point of sale, a refund liability and corresponding adjustment to revenue is recognised for those products expected to be returned.

Wholesale revenue – wholesale stream
Wholesale revenues from the sale of goods are recognised at the point that control of the inventory has passed to the customer, which depends on the specific terms and conditions of sales transactions and which is typically upon delivery. Revenues are settled in cash, net of discounts. Provisions are made for Wholesale credit notes based on the expected level of returns, which in turn is based upon the historical rate of returns. At the point of sale, a refund liability and corresponding adjustment to revenue is recognised for those products expected to be returned.

f) Other income

Royalty income
The Group receives royalty income from its franchise partners based on specific agreements in place. The income is recognised based on the specific performance obligations within the agreements. This income is recognised within other income as it does not relate to consideration for goods supplied to customers.

g) Finance income
Finance income comprises interest receivable on funds invested and cash deposits. Finance income is recognised in the Group statement of comprehensive income using the effective interest method.

h) Finance expenses
Finance expenses comprise interest payable on interest-bearing loans, lease liabilities and short-term borrowings. Finance expenses are recognised in the Group statement of comprehensive income using the effective interest method.

i) Leasing and similar commitments
IFRS 16 became effective for periods starting on or after 1 January 2019 and replaces the standard IAS 17 Leases and related interpretations. IFRS 16 requires entitles to apply a single lease accounting model, with lessees recognising right of use assets and lease liabilities on the balance sheet for all applicable leases except for certain short-term and low value leases.

The right of use assets are measured at transition at an amount equal to the lease liability, adjusted for prepaid and accrued lease payments recognised in the Group balance sheet immediately before the date of initial application. The right of use assets are subsequently measured at the transition amount less any accumulated depreciation and impairment losses. Depreciation is provided on a straight-line basis over the expected useful life, which is taken as being equal to the lease term.

Lease liabilities are measured at transition at the present value of the remaining lease payments discounted at the incremental borrowing rate of each lease as at the date of initial application. Lease liabilities are subsequently measured at amortised cost, increased for interest charges and reduced for lease payments made.

Full details on how the transition to IFRS 16 has been accounted for can be found in note 3.

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less), leases of low value assets (such as personal computers, small items of office furniture and telephones) and variable lease agreements. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease premiums
Lease premiums are only recognised on leases that do not fall under the scope of IFRS 16. Lease premiums paid to tenants are initially recognised as an intangible asset, in the balance sheet, at the point the recognition criteria in the lease are met, and debited to selling, general and administrative expenses in the Group statement of comprehensive income on a straight-line basis over the term of the lease commencing from the opening date.

j) Property, plant and equipment Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Cost includes the original purchase price and the costs attributable to bringing the asset into its working condition. Gains and losses on disposals are determined by comparing the proceeds received with the carrying amount and are recognised in the Group statement of comprehensive income.

Depreciation is provided at rates calculated to write down the cost of the assets, less their estimated residual values, over their remaining useful economic lives as follows:

Freehold buildings	– 50 years on a straight-line basis
Leasehold improvements	– 5 – 10 years on a straight-line basis
Furniture, fixtures and fittings	– 5 – 10 years on a straight-line basis
Computer equipment	– 3 – 5 years on a straight-line basis

Land is not depreciated. Residual values and useful economic lives are reviewed annually and adjusted if appropriate.

Property, plant and equipment is reclassified as held for sale assets if their carrying amount will be recovered through a highly probable sale transaction rather than through continuing use.

k) Impairment of non-financial assets
The carrying values of non-financial assets are tested annually to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated. Where the asset does not generate cash flows which are independent from other assets, the recoverable amount of the cash generating unit (“**CGU”**) to which the asset belongs is estimated.

The recoverable amount of a non-financial asset is the higher of its fair value less costs to sell, and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or CGU. An impairment loss is recognised in the Group statement of comprehensive income whenever the carrying amount of an asset or CGU exceeds s recoverable amount. An impairment loss in a subsidiary consolidated under predecessor accounting (note 1 (ad)) is recognised as a movement in the merger reserve and retained earnings in addition to recognising a loss on the Group statement of comprehensive income. Further information on how impairments have been calculated can be found in note 2.

l) Intangible assets
Intangible assets acquired separately from a business are recognised initially at cost. An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and impairment losses. Intangible assets with a finite life have no residual value and are amortised on a straight-line basis over their expected useful lives as follows:

Trademarks	– 10 years
Website and software	– 5 years
Lease premiums	– Over the life of the lease on a straight-line basis
Distribution agreements	– 6 – 23 years

1. Principal accounting policies CONTINUED

Trademarks comprise the external cost of registration and associated legal costs. Website and software costs consists of externally incurred development costs for the order management system, product life cycle management system and multi warehouse management system for regional distribution centres.

Lease premiums comprise the amount paid to the previous tenant to acquire the lease. Distribution agreements comprise the fair value, at the date of acquisition, of distribution agreements acquired as part of a business combination.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

m) Investments

Investments in subsidiaries are recorded at historical cost, less any provision for impairment.

Equity investments where the shareholding is less than 20% are accounted for as financial assets at fair value through the profit or loss. Gains and losses arising from changes in the fair value are recognised in the Group statement of comprehensive income within other gains and losses.

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Interests in joint ventures are accounted for using the equity method of accounting after initially being recognised at cost in the consolidated balance sheet. When the Group's share of losses exceed the Group's interest in the joint venture, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations on behalf of the joint venture.

n) Derivative financial instruments and hedging activities

Derivative financial instruments are recognised initially at their fair value and re-measured at fair value at each period end. Derivative financial instruments are categorised as held at fair value through the profit and loss account. The gain or loss on re-measurement to fair value is recognised immediately in the Group statement of comprehensive income. The Group has not applied hedge accounting. Foreign forward exchange derivative gains and losses are recognised in other gains and losses (net).

o) Inventories

Inventories are valued at the lower of cost or net realisable value. Cost comprises costs associated with the purchase and bringing of inventories to the distribution centres and is based on the weighted average principle. Provisions are made for obsolescence, mark-downs and shrinkage. The cost formula used for measuring inventory is moving average cost.

From 28 April 2019, the Group refined its estimate of how the cost of sample stock purchases are released to the Group statement of comprehensive income. Sample stock is now expensed but previously it was included in stock and released over the season to which it relates. As a result of this change in estimate a charge of £3.9m has been recognised within cost of sales in the 2020 financial year.

p) Trade receivables

Trade receivables are initially recognised at transaction price and subsequently measured at amortised cost, less a loss allowance. The loss allowance is measured at an amount equal to lifetime expected credit losses using simplified model (provision matrix).

q) Assets classified as held for sale

Non-current assets are classified as held for sale when their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is met only when the sale is highly probable, the asset is available for immediate sale, and when it is expected to complete within one year. These assets are stated at the lower of carrying amount and fair value less costs to sell.

r) Cash and bank balances

Cash and bank balances comprise cash at bank and in hand and short-term deposits with an original maturity date of three months or less. In order to align with the requirements of IAS 32, the Group has reviewed the cash pooling arrangement and has revised the presentation of this for both the prior year and the current year. This results in a Group cash position for the year of £307.4m with an overdraft of £270.7m, please see note 33 for further detail. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and short-term deposits, less overdrafts, which are repayable on demand.

s) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of economic benefits will be required to settle the obligation and the obligation can be estimated reliably. Provisions are discounted using the risk free rate if the impact on the provision is deemed to be material.

Provisions for onerous property related contracts are recognised when the Group believes that the unavoidable costs of meeting or exiting the lease obligations exceed the economic benefits expected to be received under the lease.

t) Employee benefit obligations

Wages, salaries, payroll tax, paid annual leave, sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group.

The Group operates a defined contribution pension scheme for the benefit of its employees. The Group pays contributions into an independently administered fund via a salary sacrifice arrangement. The costs to the Group of providing these benefits are recognised in the Group statement of comprehensive income and comprise the amount of contributions payable to the scheme in the year.

u) Share based payments – Group operated schemes

The Group operates several equity settled share based compensation plans. The fair value of the shares under such plans is recognised as an expense in the Group statement of comprehensive income. Fair value is determined using the Black–Scholes Option Pricing Model. The amount to be expensed over the vesting period is determined by reference to the fair value of share incentives excluding the impact of any non-market vesting conditions. Non-market vesting conditions are considered as part of the assumptions about the number of share incentives that are expected to vest. At each balance sheet date, the Group revises its estimate of the number of share incentives that are expected to vest. The impact of the revision on original estimates, if any, is recognised in the Group statement of comprehensive income, with a corresponding adjustment to equity over the remaining vesting period.

v) Share based payments – Founder Share Plan

The founders of Superdry operate a share based compensation plan that awards both cash and shares; for the purposes of IFRS 2 it is considered to be an equity settled share based compensation plan. The Founder Share Plan ("**FSP**") (see note 9 for further details) falls within the scope of IFRS 2 despite the Group neither purchasing, nor issuing the shares, nor the cost of the cash being a Company expense. Fair value is determined using the Monte Carlo Pricing Model. The amount to be expensed over the vesting period is determined by reference to the fair value of share incentives, adjusted at the grant of each of share incentive for dilution assumptions. These dilution assumptions are not revised after the grant of the share incentive. Non-market vesting conditions are considered as part of the assumptions about the number of share incentives that are expected to vest. The impact of the revision on original estimates, if any, is recognised in the Group statement of comprehensive income, with a corresponding adjustment to equity over the remaining vesting period.

1. Principal accounting policies CONTINUED

w) Long-term loans (receivable)

Long-term loans are recognised on an amortised cost basis less any loss allowance for expected credit losses. The loan meets the solely principal and interest on the principal (SPPI) test and it is held in order to collect all contractual cash flows. The loss allowance is measured at an amount equal to 12-months expected credit losses unless there was a significant increase in credit risk since inception. In such cases, the loss allowance is measured at the amount equal to lifetime expected credit losses. The movement in the provision is recognised in the Group statement of comprehensive income.

x) Trade and other payables

Trade and other payables, excluding lease incentives, are non-interest bearing and are initially recognised at their fair value and subsequently measured at amortised cost. Generally, this results in their recognition at their nominal value.

y) Taxation

The policy for current and deferred tax, when relevant, is as follows:

- tax on the profit or loss for the period will comprise current and deferred tax;
- current tax expense is calculated using the tax rates which have been enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years;
- deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes;
- the amount of deferred tax provided is based on the expected realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted by the balance sheet date;
- a deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised (see note 22); and
- deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

z) Dividends

Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they have been approved before or on the balance sheet date and not paid. Interim dividends are recognised in the period they are paid.

aa) Share capital

Ordinary shares are classified as equity. The share capital represents the nominal value of shares that have been issued.

ab) Share premium

The share premium account represents the excess of the issue price over the nominal value on ordinary shares issued, less incremental costs directly attributable to issue the new shares.

ac) Retained earnings

The retained earnings reflect the accumulated profits and losses of the Group.

ad) Merger reserve and other reserves The consolidation of the subsidiaries acquired in advance of the Initial Public Offering in March 2010 (C-Retail Limited, DKH Retail Limited, SuperGroup Concessions Limited, SuperGroup International Limited, SuperGroup Internet Limited and SuperGroup Retail Ireland Limited) into the financial statements of Superdry Plc has been prepared under the principles of predecessor accounting, whereby an acquirer is not required to be identified, and all entities are included at their pre-combination carrying amounts. This accounting treatment leads to differences on consolidation between consideration and fair value of the underlying net assets and this difference is included within equity as a merger reserve. All subsequent business combinations are accounted for using the acquisition method of accounting (note 1c).

ae) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Chief Operating Decision-Maker, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee.

af) Cost of sales

Cost of sales comprises movements between opening and closing inventories, purchases, carriage in, commissions payable, and other related expenses. As explained in note 1e, customers have a right of return. When customers exercise this right, the Group has a right to recover the product and as such recognises a right to returned goods asset and a corresponding adjustment to cost of sales. This is based on the historical rate of return.

ag) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in the Group statement of comprehensive income on a systematic basis over the periods in which the Group recognises an expenses for the related costs for which the grants are intended to compensate. The income is directly offset against the expense.

ah) Exceptional and other items

Non-underlying adjustments constitute exceptional and other items and are disclosed separately in the Group statement of comprehensive income. 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;
- impact on deferred tax assets/liabilities for changes in tax rates and;
- business restructuring programmes.

Exceptional and other items

- derecognition of deferred tax assets; and
- asset impairment and onerous property related contracts charges.

Other items

- the movement in the fair value of unrealised financial derivatives; and
- IFRS 2 charges in respect of 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. Further information about the determination of exceptional and other items in financial year 2020 is included in notes 6 and 37.

ai) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Notes to the Group and Company Financial Statements

to the members of Superdry Plc

1. Principal accounting policies CONTINUED

The Group always recognises lifetime expected credit losses ("**ECL**") for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. A significant increase in credit risk was defined in note 34. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

2. Critical accounting estimates and judgements in applying accounting policies

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

Critical accounting estimates and assumptions

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

Store impairments

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

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

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

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

The key estimates for the value in use calculations are those regarding discount rates and expected changes to future cash flows used in the value in use calculation. The key assumptions used in determining store cash flows are the growth rates in both sales and gross profit margins as set out in the medium-term financial plan. The medium-term financial plan reflects the impact of the Covid-19 pandemic and the proposed Brand re-set as set out on page 06. Further significant costs (or credits) may be recorded in future years dependent on the longer term impact of Covid-19 and the success of the Brand re-set.

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

The Group has carried out a sensitivity analysis on the impairment tests for its owned store portfolio on an aggregated basis for property, plant and equipment (note 18), right of use assets (note 30) and intangibles (note 19), using various reasonably possible scenarios based on recent market movements including discount rates and a change to the sales and margin assumptions in the medium-term financial plan:

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

In addition, the Group has considered a range of reasonably possible outcomes within the Plan period. The scenario modelled is consistent with the sensitivities applied for the viability assessment, set out on page 39. This would increase the impairment charge by £39.0m.

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

Onerous property related contracts provisions

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

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

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

2. Critical accounting estimates and judgements in applying accounting policies CONTINUED

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

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

The downside scenario modelled in the viability assessment (see page 39 for further details), would decrease the onerous property related contracts credit by £9.7m.

Impairment of investments in subsidiary undertakings and intercompany debtor balances

Management has estimated the loss allowance required on its intergroup receivables under IFRS 9's expected credit loss model. Where there has been no significant increase in credit risk since initial recognition of the asset the loss allowance is estimated using the 12-month expected credit losses (that is cash shortfalls arising from events of default taking place within one year of the balance sheet date). The loss allowance recorded in respect of such financial assets is £nil. Where there has been a significant increase in credit risk since initial recognition of a financial asset the loss allowance is estimated based on the lifetime expected credit loss. A significant increase in credit risk is considered to exist where any contractual cash flow relating to the financial asset is 30 days or more overdue or otherwise where there is a significant adverse change in the borrower's financial condition or anticipated performance.

The lifetime expected credit loss reflects management's estimate of the expected future receipts from the borrower based on the borrowers' medium-term financial plans discounted using the effective interest rate relevant to each receivable.

The carrying value of the investment in subsidiary undertakings has also been assessed for impairment in accordance with IAS 36. The value in use of each subsidiary is based on the discounted cash flows available to be paid to the Company from the relevant subsidiaries after the settlement of each entity's liabilities based on estimated cash flows determined using the Group's medium-term financial plan period extended to cover a period of 10 years using a long-term growth rate of 2.1%. The recoverable amount is compared to the investment carrying value and any difference recorded as impairment.

An IFRS 9 loan loss allowance on intercompany receivables of £26.5m (2019: £44.2m) and an impairment charge of £158.7m (2019: £51.3m) on the Group's investment in subsidiary undertakings has been recognised. The loss allowance based on the calculated NPV of the subsidiary compared to intercompany balance. There is a difference between the group and parent company net assets due to the impairment in the parent company being determined using the cash flows in the Group medium-term financial plan across all channels extrapolated for a further 5 years, whereas the retail cash flows used for the impairment of fixed assets and right of use assets in the Group balance sheet is limited to the existing lease term, which on average is four years.

The most significant estimation input related to the lifetime expected credit losses and value in use calculations is the expected future performance of each entity in the Plan; most significantly the sales growth assumptions. Further significant loan loss and impairment charges may be recorded in the future dependent on actual performance compared to the Group's Plan. The lifetime expected credit loss could also be impacted by changes in estimation of the impact of alternative economic scenarios.

The Group has carried out sensitivity analysis using various reasonably possible scenarios based on recent market movements including discount rates and a change to the sales assumptions in the Plan.

- If sales were 5% higher in year 1 forecast, this would decrease intercompany debtor loss allowance by £0.27m and decrease impairment in subsidiaries by £8.3m
- If sales were 5% lower in year 1 forecast, this would increase intercompany debtor loss allowance by £0.26m and increase impairment in subsidiaries by £9.6m
- An increase of 1% in discount rate, would increase impairment in subsidiaries by £13.2m and increase intercompany debtor loss allowance by £0.8m.
- A decrease of 1% in discount rate, would decrease impairment in subsidiaries by £12.8m and decrease intercompany debtor by £0.8m.

The downside scenario modelled in the viability assessment (see page 39 for further details), would increase impairment in subsidiaries by £185.3m and increase intercompany debtor loss allowance by £7.1m.

Recoverability of trade debtors

The impairment of trade and other receivables is based on management's estimate of the ECL. These are calculated using the Group's historical credit loss experience, with adjustments for general economic conditions and an assessment of conditions at the reporting date. Part of the adjustments for general economic conditions at 25 April 2020 includes consideration of the impact that the Covid-19 pandemic has had on customers' ability to repay invoices when they fall due. Management has estimated country-specific ECL percentages derived using externally generated economic data. These estimates have been applied to the lower risk trade receivables (those under 30 days overdue or under £30k), as well as being compared to the credit loss calculated on specific higher risk trade receivables (those over 30 days overdue and over £30k). See notes 24 and 34 for further details.

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

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

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2. Critical accounting estimates and judgements in applying accounting policies CONTINUED

Inventory provision

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

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

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

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

IFRS 16 Accounting

Break and extension options

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

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

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

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

Discount rates

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

Critical judgements in applying the Group's accounting policies

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

Attributing Ecommerce sales and costs to stores

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

Exceptional and other items

Judgements are required as to whether items are disclosed as exceptional and other items, with consideration given to both quantitative and qualitative factors. Further information about the determination of exceptional and other items in financial year 2020 is in note 37.

Going concern

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

3. New accounting pronouncements

IFRS 16

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

Approach used

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

Practical expedients and exemptions

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

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

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

3. New accounting pronouncements CONTINUED

Accounting policy

Initial recognition – Lease liabilities

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

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

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

Other considerations

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

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

Initial recognition – Right of use assets

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

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

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

Subsequent measurement of lease liabilities and right of use assets

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

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

Impact of IFRS 16 on the financial statements

Condensed Group balance sheet

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

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3. New accounting pronouncements CONTINUED

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

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

Condensed Group statement of comprehensive income

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

Statement of changes in equity

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

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

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

Cash flow

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

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

Lessor accounting

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

Other new standards

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

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

4. Segment information

Revenue is generated from the same products (clothing and accessories) in all segments, the reporting of segments is based on how these sales are generated. The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1. Segment profit represents the profit earned by each segment without allocation of central administration costs including directors' salaries, non-operating gains and losses in respect of financial instruments and finance costs, and income tax expense. This is the measure reported to the Group's Chief Executive for the purpose of resource allocation and assessment of segment performance.

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

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

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

The following additional information is considered useful to the reader:

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

* Underlying is defined as reported results before exceptional items and other items, and is further explained in note 37.

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

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4. Segment information CONTINUED

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

* The reported comparatives have been restated to reflect a prior year adjustment, see note 36.

The following additional information is considered useful to the reader:

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

* Underlying is defined as reported results before exceptional items and other items, and is further explained in note 37.
** The reported comparatives have been restated to reflect a prior year adjustment, see note 36

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

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

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

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

Included within external revenue overseas is revenue of £176.3m (2019: £226.7m) generated by overseas subsidiaries. The total of non-current assets, other than deferred tax assets, located in the UK is £84.5m (2019: £56.1m), and the total of non-current assets located in other countries is £123.6m (2019: £70.8m).

5. Selling, general and administrative expenses

	Group 2020 £m	Group 2019 £m
Staff costs (note 7)	**103.3**	115.7
Operating lease rentals for leasehold properties*	**–**	68.8
Short term, low value and variable rent payments*	**2.4**	–
Depreciation and amortisation	**87.2**	41.9
Impairment of property, plant and equipment, right of use assets and intangibles	**139.1**	42.6
Restructuring, strategic change and other costs	**1.9**	8.1
Onerous property related contracts (credit)/charge	**(12.0)**	86.9
Other (including rates, service charges and professional fees)	**217.2**	223.2
Total selling, general and administrative expenses	**539.1**	587.2

* The lines indicated are impacted by the application of IFRS 16 in the current year only. Refer to note 3 for further details.

Staff costs include a credit of £0.4m (2019 £0.3m) which does not relate to staff costs for the purpose of note 7. Government grants are netted off against staff costs, see note 38.

6. Exceptional and other items

Non-underlying adjustments constitute exceptional and other items. Further information about the determination of exceptional and other items in financial year 2020 is included in note 37. They are disclosed separately in the Group statement of comprehensive income.

	Group 2020 £m	Group 2019 £m
Exceptional and other items		
Unrealised gain/(loss) on financial derivatives	**1.9**	23.9
Store asset impairment and onerous property related contracts provision	**(124.8)**	(129.5)
Restructuring, strategic change and other costs	**(1.9)**	(8.1)
IFRS 2 charge on Founder Share Plan (note 9)	**(0.3)**	(2.6)
Total exceptional and other items in operating (loss)/profit	**(125.1)**	(116.3)
Impairment losses on financial assets	**–**	(8.5)
Share of joint venture exceptional costs	**–**	(2.5)
Total exceptional and other items	**(125.1)**	(127.3)
Taxation		
Tax impact of non-underlying adjustments (note 14)	**0.1**	1.7
Deferred tax – exceptional (note 22)	**17.3**	(2.6)
Total taxation	**17.4**	(0.9)
Total exceptional and other items	**(107.7)**	(128.2)

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

6. Exceptional and other items CONTINUED

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

A subsequent review was performed in the current year, as a consequence of the downgraded forecast in the medium-term plan as driven by Covid-19. This subsequent review identified additional stores which were either unprofitable, at risk of becoming unprofitable over time, or where anticipated future performance would not support the carrying value of assets. The overall costs charged to the Group statement of Comprehensive Income of non-cash exceptional impairment in the year were £136.8m, affecting around 177 stores. In addition, a reassessment of the onerous property related contracts provision in the year resulted in a release of £12.0m, affecting around 35 stores. The onerous property related contracts provision are no longer recognised on rental expenses, following the transition to IFRS 16. A significant level of estimation has been used to determine the charges to be recognised, for which further disclosure and sensitivities can be found in note 2 on pages 136 to 138. There were no releases of impairment provisions against specific stores in the year (2019: £nil).

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

During the current year, the Board and management reviewed the long-term business plan for the Trendy & Superdry Holding Limited joint venture. Following discussions with the joint venture partner, and taking into account the current challenging retail environment due to Covid-19, both parties agreed to end the relationship. Costs for the wind-up of the business totalling £1.5m have been accrued for; these are considered to be exceptional based on the one-off nature of this decision. See note 39 for further details.

Other items in the year include a £1.9m credit in respect of the fair value movement in financial derivatives (2019: £23.9m credit) which has been driven primarily by the devaluation of Sterling against the Euro and US Dollar, and its impact on forward currency contracts, selling Euro for Sterling or buying US Dollar with Sterling (see notes 34 and 37 for further details). The IFRS 2 charge of £0.3m (2019: £2.6m) in respect of the Founder Share Plan is also included within other items (see note 9 for further details).

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

7. Employee expense

	Group		Company	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Wages and salaries	**89.1**	97.4	**12.1**	14.2
Social security costs	**11.1**	12.1	**1.7**	2.1
Share awards charge	**1.2**	3.5	**0.2**	2.2
Pension costs – defined contribution scheme	**2.3**	2.4	**0.5**	0.7
Total employee expense	**103.7**	115.4	**14.5**	19.2

Details of the share based compensation plans are detailed under notes 8 and 9.

The total employee benefit expense does not include £0.4m (2019: £0.3m) which has been credited within exceptional and other items but is excluded from the table above. The closing pension creditor for the Group is £0.4m (2019: £0.4m).

The average monthly number of full-time equivalent employees, including Directors on a service contract, are as follows:

	Group		Company	
	2020 No.	2019 No.	**2020 No.**	2019 No.
Administration	**722**	737	**208**	223
Retail	**2,494**	2,542	**77**	85
Total average headcount	**3,216**	3,279	**285**	308

Directors' remuneration is detailed in the Directors' Remuneration Report on pages 85 to 104.

7. Employee expense CONTINUED

The list outlined below differs from who was deemed to be key members of management in the prior year following an internal review. The following were members of key management last year who are not members this year; Chief Operating Officer, Digital Director, Group Marketing and Business Development Director.

Remuneration of current key members of management, who are the Executive Directors, Group General Counsel, Group HR Director, Wholesale & E-commerce Director, Retail Director, Creative Director, Merchandising Director, Business Transformation & Logistics Director, Sourcing & Sustainability Director, and Vice President (USA) recorded in the Group statement of comprehensive income. Their remunerations is as follows:

	Group	
	2020 £m	2019 £m
Short-term employee benefits	**3.1**	3.0
Post-employment benefits	**0.3**	0.4
Share based payments	**0.5**	0.8
Payment for loss of office	**–**	0.2
Total remuneration of key members of management	**3.9**	4.4

The total amounts for Directors' remuneration in accordance with Schedule 5 to the Accounting Regulations were as follows:

	Group	
	2020 £m	2019 £m
Short-term employee benefits	**1.4**	2.0
Share based payments	**–**	0.1
Money purchase pension contributions	**0.1**	0.2
Total aggregate Directors' remuneration	**1.5**	2.3

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

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

Performance Share Plan

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

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

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

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

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

Performance Share Plan (continued)

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

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

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

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

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

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

Save As You Earn

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

Buy As You Earn

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

Other schemes

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

9. Founder Share Plan

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

9. Founder Share Plan CONTINUED

Cash and share settled elements – All other colleagues

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

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

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

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

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

10. Auditor's remuneration

During the period, the Group obtained the following services from the Company's Auditors as detailed below:

	Group	
	2020 £'000	2019 £'000
Audit services		
Fees payable to the Company's Auditors for the audit of the Company and the consolidated financial statements	**1,500**	686
The audit of the Company's subsidiaries pursuant to legislation	**250**	275
Total audit fees payable to the Company's Auditors and its associates	**1,750**	961
Fees payable to the Company's Auditors and its associates for other services		
Audit-related assurance services – interim review	**200**	41
All other services	**–**	–
Total fees payable to the Company's Auditors and its associates for other services	**200**	41
Total Auditor's remuneration	**1,950**	1,075

11. Other gains and losses (net)

	Group	
	2020 £m	2019 £m
Unrealised fair value gain/(loss) on foreign exchange forward contracts	**1.9**	23.9
Royalty income	**7.2**	9.1
Other income	**1.9**	1.7
Total other gains and losses	**11.0**	34.7

The unrealised fair value gain on foreign exchange forward contracts of £1.9m (2019: £23.9m gain) has been treated as an exceptional and other item, see note 6.

Royalty income relates to Wholesale royalty agreements, see note 1f) for further detail. Other income in the both financial years includes rent and profit from the sales of fixtures and fittings to franchisees.

Notes to the Group and Company Financial Statements

to the members of Superdry Plc

12. Operating (loss)/profit

Group operating (loss)/profit is stated after charging/(crediting):

	Group 2020 £m	Group 2019* £m
Depreciation on property, plant and equipment – owned (note 18)	**23.5**	32.6
Depreciation on right of use assets (note 30)	**55.0**	–
Loss on disposal of property, plant and equipment (note 18)	**0.2**	0.4
Amortisation of intangible assets (note 19)	**8.7**	9.3
Impairment of property, plant and equipment and right of use assets (note 5)	**138.7**	36.5
Impairment of intangibles (note 5)	**0.4**	6.1
Restructuring, strategic change and other property costs (note 5)	**1.9**	8.1
Cost of inventories recognised as an expense	**300.5**	362.1
Impairment of inventories included in the above figure (note 23)	**–**	0.8
Operating lease rentals for leasehold properties (note 5)	**–**	68.8
Short term, low value and variable lease payments (note 5)	**2.4**	–
Onerous property related contracts charge (note 5)	**(12.0)**	86.9
Net foreign exchange losses	**2.2**	4.6

* The reported comparatives have been restated to reflect a prior year adjustment, see note 36.

The above Group operating profit/(loss) includes £10.2m (FY19: £2.6m) of depreciation savings and £6.5m (FY19: £8.5m) of onerous lease utilisation, following store asset impairment (see further details in note 2).

13. Finance income and expense

	Group 2020 £m	Group 2019 £m
Bank interest	**0.2**	0.3
Total finance income	**0.2**	0.3
Bank interest	**(2.0)**	(1.3)
Interest on lease liabilities	**(5.7)**	–
Total finance expense	**(7.7)**	(1.3)

14. Tax expense

The tax expense comprises:

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

* The reported comparatives have been restated to reflect a prior year adjustment, see note 36

The tax credit on underlying loss is £6.1m (2019: £11.5m charge). The net tax credit on exceptional and other items totals £17.4m (2019: £0.9m tax charge). An exceptional tax credit of £16.7m (2019:£nil) arises as a result of impairments to the right of use asset values and a £1.5m (2019:£11.1m) exceptional tax credit as a result of impairments to property, plant and equipment, at the balance sheet date. An exceptional tax charge of £0.8m (2019:£12.0m) arises in connection with movements on the derivative contracts and an updated onerous lease review.

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

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

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

* The reported comparatives have been restated to reflect a prior year adjustment, see note 36

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

Notes to the Group and Company Financial Statements

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14. Tax expense CONTINUED

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

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

15. (Loss)/Profit attributable to Superdry Plc

The after tax loss for the 52 weeks ended 25 April 2020 for the Company was £148.0m (52 weeks ended 27 April 2019: loss of £136.5m). There was a credit to equity reserve of £1.2m (2019: £3.5m credit) in respect of employee share schemes. The Directors have approved the statement of comprehensive income for the Company. Retained earnings of the Company at 25 April 2020 were £72.2m (2019: £222.4m).

16. Earnings per share

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

Underlying earnings per share

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

* The reported comparatives have been restated to reflect a prior year adjustment, see note 36

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

17. Dividends

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

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

18. Property, plant and equipment

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

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

Of the above impairment of £15.9m, £15.5m constitutes part of the total impairment of £136.8m in FY20 (2019: £42.6m) and relates to an impairment review performed on retail store assets, for further details on this please see note 2. This impairment has been included within exceptional expenses in the year. The remaining £0.4m relates to impairment of land during the year as a result of a re-valuation triggered by the land sale in FY19. This land impairment has been included within underlying expenses in the year as the disposal was undertaken through the normal course of business.

18. Property, plant and equipment CONTINUED

	Group				
	Land and buildings £m	Leasehold improvements £m	Furniture, fixtures and fittings £m	Computer equipment £m	Total £m
52 weeks ended 27 April 2019					
Cost					
At 29 April 2018	7.5	206.8	59.6	24.3	298.2
Exchange differences	–	(0.3)	–	0.2	(0.1)
Additions	0.1	7.0	4.2	3.3	14.6
Disposals	–	(0.9)	(0.2)	–	(1.1)
Reclassified as held for sale	(2.3)	(0.1)	–	–	(2.4)
At 27 April 2019	5.3	212.5	63.6	27.8	309.2
Accumulated depreciation and impairments					
At 29 April 2018	0.3	115.7	33.0	19.0	168.0
Exchange differences	–	(1.1)	(0.2)	–	(1.3)
Depreciation charge	0.1	20.4	8.3	3.8	32.6
Impairments	0.1	30.3	5.3	0.8	36.5
Disposals	–	(0.6)	(0.1)	–	(0.7)
At 27 April 2019	0.5	164.7	46.3	23.6	235.1
Net balance sheet amount at 27 April 2019	4.8	47.8	17.3	4.2	74.1

	Company				
	Land and buildings £m	**Leasehold improvements £m**	**Furniture, fixtures and fittings £m**	**Computer equipment £m**	**Total £m**
52 weeks ended 25 April 2020					
Cost					
At 28 April 2019	**1.5**	**10.7**	**3.7**	**17.3**	**33.2**
Exchange difference	–	**0.1**	–	–	**0.1**
Additions	**0.4**	**0.3**	**0.1**	**1.2**	**2.0**
Disposals	–	**(0.1)**	–	–	**(0.1)**
Reclassified as held for sale	–	–	–	–	–
At 25 April 2020	**1.9**	**11.0**	**3.8**	**18.5**	**35.2**
Accumulated depreciation					
At 28 April 2019	–	**7.1**	**2.3**	**15.6**	**25.0**
Exchange differences	–	–	–	–	–
Depreciation charge	**0.1**	**1.4**	**0.5**	**2.1**	**4.1**
Impairments	**0.4**	**0.5**	–	–	**0.9**
At 25 April 2020	**0.5**	**9.0**	**2.8**	**17.7**	**30.0**
Net balance sheet amount at 25 April 2020	**1.4**	**2.0**	**1.0**	**0.8**	**5.2**

18. Property, plant and equipment CONTINUED

	Company				
	Land and buildings £m	Leasehold improvements £m	Furniture, fixtures and fittings £m	Computer equipment £m	Total £m
52 weeks ended 27 April 2019					
Cost					
At 29 April 2018	3.8	10.2	3.1	14.8	31.9
Additions	–	0.6	0.6	2.5	3.7
Disposals	–	–	–	–	–
Reclassified as held for sale	(2.3)	(0.1)	–	–	(2.4)
At 27 April 2019	1.5	10.7	3.7	17.3	33.2
Accumulated depreciation					
At 29 April 2018	–	2.4	1.2	13.5	17.1
Exchange differences	–	(0.1)	(0.1)	–	(0.2)
Depreciation charge	–	1.3	0.7	2.1	4.1
Impairments	–	3.5	0.5	–	4.0
At 27 April 2019	–	7.1	2.3	15.6	25.0
Net balance sheet amount at 27 April 2019	1.5	3.6	1.4	1.7	8.2

Assets reclassified as held for sale during financial year 2019

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

19. Intangible assets

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

Lease premiums in 2019 included a lease premium with a net book value of £1.6m, during 2020 this amount has been transferred as part of the transition to IFRS 16, the remaining £0.3m of lease premiums have been impaired in underlying expenses. See note 1 for further information on treatment of lease premiums.

Of the above impairment of £0.4m, £0.1m constitutes part of the total impairment of £136.8m in FY20 (2019: £42.6m) and relates to an impairment review performed on retail store assets, for further details on this please see note 2. This impairment has been included within exceptional expenses in the year. The remaining £0.3m relates to impairment of lease premiums mentioned above.

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

19. Intangible assets CONTINUED

	Company		
	Trademarks £m	Website and software £m	Total £m
52 weeks ended 25 April 2020			
Cost			
At 28 April 2019	**0.6**	**35.9**	**36.5**
Additions	**0.1**	**4.7**	**4.8**
At 25 April 2020	**0.7**	**40.6**	**41.3**
Accumulated amortisation			
At 28 April 2019	**0.1**	**19.4**	**19.5**
Amortisation charge	**0.1**	**5.4**	**5.5**
At 25 April 2020	**0.2**	**24.8**	**25.0**
Net balance sheet amount at 25 April 2020	**0.5**	**15.8**	**16.3**

	Company		
	Trademarks £m	Website and software £m	Total £m
52 weeks ended 27 April 2019			
Cost			
At 29 April 2018	0.4	30.4	30.8
Additions	0.2	5.5	5.7
At 27 April 2019	0.6	35.9	36.5
Accumulated amortisation			
At 29 April 2018	–	13.9	13.9
Amortisation charge	0.1	5.5	5.6
At 27 April 2019	0.1	19.4	19.5
Net balance sheet amount at 27 April 2019	0.5	16.5	17.0

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

Impairment of goodwill

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

Key assumptions

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

Discount rates

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

Operating cash flows

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

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19. Intangible assets CONTINUED

Long-term growth rates

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

Goodwill sensitivity analysis

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

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

20. Investments

	Company	
52 weeks ended 25 April 2020	**27 April 2020 £m**	28 April 2019 £m
Cost		
At 28 April 2019	**463.0**	458.5
Additions	**4.5**	4.5
At 25 April 2020	**467.5**	463.0
Provision for impairment		
At 28 April 2019	**51.3**	–
Write-downs	**158.7**	51.3
At 25 April 2020	**210.0**	51.3
Net balance sheet amount at 25 April 2020	**257.5**	411.7

The total net book value of investments is £257.5m (2019: £411.7m). During 2020, an investment of £3.6m was made in SuperGroup Sweden AB as a capital injection. An addition of 0.3m (2019: £2.6m) has been booked in relation to the IFRS 2 charges, that are accounted for in Group subsidiaries but relate to shares in the ultimate parent, being Superdry Plc.

Impairment of investments in subsidiary undertakings

The Company tests investments in subsidiary undertakings annually for impairment.

The recoverable amount of each subsidiary is calculated in reference to the value over the medium-term financial plan period, extrapolated for a total of 10 years at the long-term growth rate of 2.1% (adjusting for any intercompany impairment as explained in note 24). This recoverable amount is calculated using a value in use model based on the discounted cash flows. The recoverable amount is compared to the investment carrying value and any difference recorded as impairment.

Management estimates discount rates using pre-tax rates that reflect the current market assessment of the time value of money and the risks specific to the CGUs. The pre-tax discount rates range from 9.5% to 11.5% and are derived from the Group's post-tax WACC which range from 9.4% to 11.4%.

This review has led to an impairment of £100.9m being recognised in respect of subsidiaries in the retail segment, £17.0m has been recognised in respect of subsidiaries in the wholesale segment while £40.8m has been recognised in respect of subsidiaries in the central segment.

The cash flows used within the impairment model are based on assumptions which are sources of estimation uncertainty and small movements in these assumptions could lead to an increased impairment. The Company has carried out a sensitivity analysis on the impairment tests for its investment in subsidiary undertakings, using various reasonably possible scenarios. Further detail is set out in note 2.

20. Investments CONTINUED

Subsidiaries

All of the subsidiaries have been included in the consolidated financial statements. A list of the subsidiaries held during the year is set out below:

Subsidiary	Principal activity	Country of incorporation	2020 % shares
C-Retail Limited[1] – (07139142)	Clothing retailer in UK	UK	**100**
DKH Retail Limited[1,4] – (07063508)	Worldwide wholesale distribution	UK	**100**
SuperGroup Belgium NV[1]	Holds the investment in SuperGroup Netherlands BV	Belgium	**100**
SuperGroup Belgium Finance NV[1]	Provides finance to the European entities	Belgium	**100**
SuperGroup Concessions Limited[1] – (07139101)	Clothing retailer in concessions	UK	**100**
SuperGroup Europe BVBA	Clothing retailer in Belgium	Belgium	**100**
Superdry France SARL[1]	Clothing retailer in France	France	**100**
Superdry Germany GmbH[1,3]	Clothing retailer in Germany	Germany	**100**
SuperGroup India Private Limited[1]	Manages supplier relationships in India	India	**100**
SuperGroup Internet Limited[1] – (07139044)	Clothing retailer via the Internet	UK	**100**
SuperGroup Netherlands BV	Holds the investment in SuperGroup Europe BVBA	Netherlands	**100**
SuperGroup Netherlands Retail BV	Clothing retailer in the Netherlands	Netherlands	**100**
SuperGroup Retail Spain S.L.U.[1,2]	Clothing retailer in Spain	Spain	**100**
SuperGroup Retail Ireland Limited[1]	Clothing retailer in the Republic of Ireland	ROI	**100**
SuperGroup Mumessillik Hizmet ve Ticaret Limited Sirketi[1]	Manages supplier relationships in Turkey	Turkey	**100**
SuperGroup Limited[1,6] – (07938117)	Dormant	UK	**100**
Superdry Hong Kong Limited[1]	Manages supplier relationships in China	Hong Kong	**100**
Superdry Sweden AB[1]	Clothing retailer in Sweden	Sweden	**100**
Superdry Norway A/S[1]	Norway wholesale agent	Norway	**100**
Superdry Retail Denmark A/S[1]	Clothing retailer in Denmark	Denmark	**100**
SuperGroup Nordic and Baltics A/S[1]	Denmark wholesale agent	Denmark	**100**
SD 1 Aps	Clothing retailer in Denmark	Denmark	**100**
SD 2 Aps	Dormant	Denmark	**100**
Superdry Retail LLC[5]	Clothing retailer in USA	USA	**100**
Superdry Wholesale LLC[5]	USA wholesale distribution	USA	**100**
SuperGroup USA Inc[1,5]	Holds investment in USA	USA	**100**

Directly owned by the Company.

1. Holds the investment in the Portuguese branch which is not material.
2. Holds the investment in the Austrian branch which is not material
3. Holds the investment in the Switzerland and Norway branches which are not material.
4. Exempt from statutory audit.
5. Exempt from statutory audit under s448A exemption

All shares held by the Company are ordinary equity shares.

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20. Investments CONTINUED

Joint ventures

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

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

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

As at 25 April 2020, the carrying value of the investment in Trendy & Superdry Holding Limited and Horace SARL was £nil. Under equity accounting, no charge was recognised in the financial statements in respect of the Group's share of the joint venture losses in the year, as the opening investment asset was £nil. Further information about exit of investment in Trendy & Superdry Holding Limited is included in note 39.

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

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

	Group		Company	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Opening net assets	**–**	6.2	**–**	12.4
Investment in the period	**–**	–	**–**	–
Share of loss for the period – Group only	**–**	(3.7)	**–**	–
Share of deferred tax de-recognition	**–**	(0.7)	**–**	–
Share of onerous property related contracts provision charge	**–**	(1.4)	**–**	–
Share of store asset impairment	**–**	(0.4)	**–**	–
Impairment of investment	**–**	–	**–**	(12.4)
Closing net assets	**–**	–	**–**	–

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

Long-term loan to joint venture

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

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

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

21. Balances and transactions with related parties

Directors' emoluments

Directors' remuneration is set out in the audited section of the Directors' Remuneration Report on pages 85 to 104.

Transactions with Directors

Other than in respect of arrangements set out below and in relation to the employment of Directors, details of which are provided in the Directors' Remuneration Report on pages 85 to 104, there is no material indebtedness owed to or by the Company or the Group to any employee or any other person or entity considered to be a related party.

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

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

Company transactions with subsidiaries

The Company has made management charges and has intercompany receivable balances included within trade and other receivables as follows:

	Management charges		Intercompany receivable	
	2020 £m	2019 £m	**Balance sheet 25 April 2020 £m**	Balance sheet 27 April 2019 £m
C-Retail Limited	**8.2**	8.4	**18.8**	51.3
DKH Retail Limited	**16.6**	16.2	**46.7**	50.5
SMAC	**–**	–	**1.0**	–
Superdry France SARL	**1.1**	1.1	**1.4**	1.1
Superdry Germany GmbH	**2.6**	2.7	**4.7**	4.2
Superdry Retail Denmark	**–**	–	**–**	–
SuperGroup Concessions Limited	**–**	–	**(0.4)**	–
SuperGroup Internet Limited	**8.9**	7.6	**22.2**	37.4
SuperGroup Retail Ireland Limited	**0.6**	0.6	**0.8**	0.6
SuperGroup Retail Spain S.L.U.	**0.4**	0.4	**0.7**	0.4
SuperGroup Europe BVBA	**0.9**	0.9	**2.5**	1.7
SuperGroup Netherlands BV and SuperGroup Netherlands Retail BV	**0.7**	0.7	**1.9**	8.5
SuperGroup Nordic and Baltics A/S	**–**	–	**–**	1.0
Superdry Retail LLC	**3.1**	2.9	**–**	8.9
Superdry Wholesale LLC	**0.5**	0.7	**31.9**	0.1
Superdry Retail Sweden AB	**–**	–	**–**	–

The above intercompany receivable amounts are disclosed net of impairment charges during the year.

In addition, loan interest of £0.2m (2019: £0.2m) has been charged to Superdry Retail LLC, £0.2m (2019: £0.2m) of loan interest to Superdry Wholesale LLC and £0.1m (2019: £0.1m) of loan interest to Superdry Sweden AB in the period.

There have been no further transactions in the period.

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22. Deferred tax assets and liabilities

The movement on the Group deferred tax account is as shown below:

	Depreciation in excess of capital allowances	Temporary differences	Tax losses	Intangible assets – Deferred tax asset	Intangible assets – Deferred tax liability	Derivatives	IFRS 16	Total
At 27 April 2019	3.0	16.6	2.8	10.2	(0.8)	0.2	–	32.0
Credited/(charged) to equity– underlying	–	(4.7)	–	–	–	–	6.9	2.2
Credited/(charged) to the Group statement of comprehensive income – underlying	1.2	(3.4)	6.3	(1.9)	–	–	(0.4)	1.8
Credited/(charged) to the Group statement of comprehensive income – exceptional	1.5	(0.7)	–	–	–	(0.2)	16.7	17.3
At 25 April 2020	**5.7**	**7.8**	**9.1**	**8.3**	**(0.8)**	**–**	**23.2**	**53.3**

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. Where deferred tax liabilities exist at the balance sheet date these are offset against deferred tax assets where the entity has a legal right to settle on a net basis and the deferred tax amounts are levied by the same taxing authority.

There are gross unrecognised deferred tax assets of £42.7m (2019: £37.8m) at the balance sheet date to which £20.2m (2019: £24.9m) relate to US operations and £16.7m in connection with IFRS 16 (2019: £nil).

Of the unrecognised deferred tax assets attributable to US operations, £7.6m relates to losses which accrued in the periods to 29 April 2017. US tax losses arising in periods ending prior to 31 December 2017 have an expiration period of twenty years. The Group also have unrecognised deferred tax assets of £1.5m at 25 April 2020 in relation to Dutch tax losses which have an expiration period of six years.

The movement on the Company deferred tax account is as shown below:

	Company					
Net deferred tax assets £m	Depreciation in excess of capital allowances	Temporary differences	Tax losses	Intangible assets	Derivatives	Total
At 27 April 2019	0.7	0.4	0.1	–	–	1.2
Credited/(charged) to the Group statement of comprehensive income – underlying	0.8	(0.3)	–	–	–	0.5
Credited/(charged) to the Group statement of comprehensive income – exceptional	0.3	–	–	–	–	0.3
Credited/(charged) to equity	–	–	–	–	–	–
At 25 April 2020	**1.8**	**0.1**	**0.1**	–	–	**2.0**

23. Inventories

	Group		Company	
	2020 £m	2019* £m	**2020 £m**	2019 £m
Finished goods	**158.7**	186.9	**2.3**	2.1
Net inventories	**158.7**	186.9	**2.3**	2.1

* The reported comparatives have been restated to reflect a prior year adjustment, see note 36

23. Inventories CONTINUED

Inventory write-downs for each period are as follows:

	Group		Company	
	2020 £m	2019* £m	**2020 £m**	2019 £m
At start of period	**4.8**	3.3	**0.1**	0.1
Provision charge in the period	**7.7**	3.9	**0.1**	–
Utilised in period	**(2.7)**	(2.4)	**–**	–
At end of period	**9.8**	4.8	**0.2**	0.1

* 2019 numbers have been represented. There is no impact on the primary statements

24. Trade and other receivables

	Group		Company	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Trade receivables	**75.8**	93.0	**–**	–
Less: allowance for expected credit losses	**(14.6)**	(5.4)	**–**	–
Net trade receivables	**61.2**	87.6	**–**	–
Other amounts due from related parties	**–**	–	**278.6**	208.7
Less: impairment of amounts due from related parties	**–**	–	**(26.5)**	(44.2)
Net amounts due from related parties	**–**	–	**252.1**	164.5
Taxation and social security	**–**	0.2	**–**	15.4
Other receivables	**20.0**	8.8	**1.0**	1.1
Prepayments	**3.1**	18.9	**4.8**	3.0
Rent deposits held by landlords	**7.3**	6.9	**–**	–
Total trade and other receivables	**91.6**	122.4	**257.9**	184.0

In 2019 the movement in allowances for expected credit losses was shown within 'Impairment losses on other financial assets' in the Group statement of comprehensive income, in 2020 this is represented in 'Impairment losses on trade receivables'.

Prepayments for the Group include £nil (2019: £10.0m) of prepaid rent and rates.

The fair values of trade and other receivables are equal to their carrying value. The balances due from related parties are repayable on demand.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. Trade and other receivables are not provided as security.

Impairment of trade receivables – Group accounts

The table below shows the credit risk exposure on the Group's trade receivables at 25 April 2020:

	Carrying amount £m	Current £m	Overdue 1-30 days	Overdue 31-60 days	Overdue 60 days +
Expected loss rate %	19.3%	5.6%	6.2%	8.9%	71.8%
Gross carrying amount – trade receivables	75.8	36.6	15.8	8.4	15.0
Loss allowance	(14.6)	(2.0)	(1.0)	(0.8)	(10.8)

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24. Trade and other receivables CONTINUED

The table below shows the credit risk exposure on the Group's trade receivables at 27 April 2019

	Carrying amount £m	Current £m	Overdue 1-30 days	Overdue 31-60 days	Overdue 60 days +
Expected loss rate %	5.8%	0.3%	1.0%	2.0%	47.6%
Gross carrying amount – trade receivables	93.0	67.2	10.4	5.1	10.3
Loss allowance	(5.4)	(0.2)	(0.1)	(0.1)	(5.0)

Other receivables are tested for impairment on individual basis. The credit risk is low and the loss allowance measured as 12-months expected credit loss is highly immaterial. Due to the nature of the other classes within trade and other receivables there is not expected to be any credit loss allowance and as such there is no expected credit loss allowance to recognise on those assets.

The closing loss allowances for trade receivables as at 25 April 2020 reconciles to the opening loss allowances as follows:

	2020 £m	2019* £m
At start of period – calculated under IAS 39	**5.4**	1.5
IFRS 9 adjustment	**–**	3.2
Opening loss allowance calculated under IFRS 9	**5.4**	4.7
Change in allowance, net of recoveries charged to the Group statement of comprehensive income	**15.3**	1.7
Receivables written off during the year as uncollectable	**(6.1)**	(1.0)
At end of period	**14.6**	5.4

*The 2019 balances have been represented to be in line with presentation of the 2020 balances.

The individually impaired receivables relate wholly to the Wholesale segment with the exception of the China joint venture impairment of receivables which is attributable to central costs. The other classes within trade and other receivables for the Group do not contain impaired assets.

Impairment of intercompany receivables – Company accounts

At 25 April 2020 net intercompany receivables of £67.0m are included in stage 3 of the general impairment model. The Company has carried out sensitivity analysis on the loan loss allowance using reasonably possible scenarios. Further detail is set out in note 2. At the start of the year, the provision recognised against the intercompany subsidiaries was £44.2m. During 2020, there has been a release of £17.7m of the impairment of amounts due to related parties bringing the year-end balance within intercompany receivables that are classified as stage 3 to £26.5m. All other intercompany receivable amounts are classified as stage 1, and as such no material expected credit loss has been recognised on these.

The table below shows the credit risk exposure on the Company's receivables:

	2020 Carrying amount £m	2019 Carrying amount £m
Expected loss rate %	**9.8%**	21.2%
Gross carrying amount – receivables	**269.1**	208.7
Loss allowance	**(26.5)**	(44.2)

The reduction in the rate of expected credit losses has mainly been impacted due to impairment of receivables from Superdry US entities which moved from £41.5m in 2019 to £20.6m in 2020. The closing loss allowances for intercompany receivables as at 25 April 2020 reconciles to the opening loss allowances as follows:

	2020 £m	2019 £m
Opening loss allowance calculated under IFRS 9	**44.2**	–
Change in allowance, net of recoveries charged to the Group statement of comprehensive income	**(17.7)**	44.2
At end of period	**26.5**	44.2

25. Cash and bank balances

	Group		Company	
	2020 £m	2019* £m	2020 £m	2019* £m
Cash at bank and in hand	307.4	49.5	3.2	1.0
Total cash and cash balances	307.4	49.5	3.2	1.0

* 2019 balances for cash and borrowings have been restated to reflect the grossing up of cash and overdraft balances subject to the group's cash pooling arrangements and to ensure the Group's presentation of these balances is in line with the requirements for offsetting in accordance with IAS 32. See note 1.

Cash and bank balances comprise cash at bank with major UK and European clearing banks and earn floating rates of interest based upon bank base rates. At 25 April 2020, the Group had £285.3m (2019: £25.6m) deposited with HSBC Bank Plc, £1.9m (2019: £0.8m) deposited with Barclays Bank Plc, £1.6m (2019: £1.3m) deposited with Santander UK Plc, £10.1m (2019: £11.2m) deposited with BNP Paribas, £1.7m (2019: £3.6m) deposited with ING Bank, £0.3m (2019: £1.2m) deposited with Sydbank and £0.6m (2019: £0.6m) deposited with Banque Populaire Alsace Lorraine Champagne. The remainder of the cash is deposited in other bank accounts.

The Moody's credit rating as at 22 April 2020 for HSBC bank is Aa3 (2019: Aa3), Barclays Bank Plc is A1 (2019: A2), Santander UK Plc is A2 (2019: A2), BNP Paribas is Aa3 (2019: Aa3), ING Bank is Aa3 (2019: Aa3), Sydbank is A1 (2019: A2) and Banque Populaire Alsace Lorraine Champagne is A1 (2019: A1).

Included with cash and bank balances is £0.2m (2019: £0.2m) of rent deposits held for sub-tenants of the Regent Street Store, and £1.5m (2019: £1.0m) of cash deposits from franchise customer guarantees. Additionally, there is 1.9m Euros (2019: £nil) deposited in a bank in the European Bank of Iran. These amounts are restricted cash.

26. Borrowings

	Group		Company	
	2020 £m	2019* £m	2020 £m	2019* £m
Unsecured borrowings				
RCF	–	–	–	–
Bank overdraft	270.7	13.6	60.1	0.5
	270.7	13.6	60.1	0.5

* 2019 balances for cash and borrowings have been restated to reflect the grossing up of cash and overdraft balances subject to the group's cash pooling arrangements and to ensure the Group's presentation of these balances is in line with the requirements for offsetting in accordance with IAS 32. See note 36.

The Group has up to a net £20m uncommitted overdraft facility which has no financial covenants and is included within the cash pooling arrangements. The RCF had two financial covenants: a leverage covenant, this being the ratio of the Group's consolidation net debt to consolidated EBITDA and a fixed charge cover covenant, this being the ratio of EBITDA plus consolidated rent payable to consolidated net interest payable and consolidated net rent payable. Both covenants are measured over a 12-month period and are tested twice per year.

The Lenders agreed to waive the fixed charge cover financial covenant test relating to the period ending 25 April 2020 on 6 May 2020 under the Waiver Agreement (the "Waiver Agreement"). An event of default of the RCF was triggered on 20 December 2019 as a result of late submission of subsidiary statutory accounts. The Event of Default was waived by the lenders on 6 May 2020 subject to a number of conditions which have been met, including the securing of a new lending facility. See note 39 for further detail.

On 7 August 2020, the Group entered into a 30 month up to £70m committed Asset Backed Lending Facility ("ABL Facility") which replaced the Group's RCF facility, see note 39 for further detail. The ABL can be extended by up to 1 year, at the request of the Group and the agreement of the lenders. The ABL Facility has two financial covenants: an EBITDAR (earnings before interest, tax, depreciation, amortisation and rent) covenants which is calculated on an internal budget basis and a fixed charge cover covenant, this being the ratio of EBITDA plus consolidated rent payable to consolidated net interest payable and consolidated net rent payable. The covenants are calculated on frozen accounting standards, and exclude the impact of IFRS 16. Both covenants are measured over a 12-month period and are tested quarterly.

The Group has revised its presentation of bank overdrafts to be compliant with IAS 32: Financial instruments: Presentation, which prescribes the treatment of overdrafts in cash-pooling arrangements. As a result, the Group has presented an additional £270.7m within borrowings in the current period and increased its cash balances by equal and opposite amount. Comparatives at 27 April 2019 have been similarly restated by £13.6m, see note 36.

Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

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27. Trade and other payables

	Group		Company	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Non-current				
Deferred cash contributions and rent-free periods	**0.4**	37.9	**–**	0.3
Other payables	**1.8**	1.4	**–**	–
Total non-current trade and other payables	**2.2**	39.3	**–**	0.3
Current				
Trade payables	**50.3**	64.2	**1.9**	3.1
Amounts due to related parties	**–**	–	**246.0**	237.0
Taxation and social security	**2.6**	2.7	**1.4**	0.4
Other payables	**1.9**	0.2	**0.3**	0.2
Deferred income	**18.7**	19.8	**–**	–
Accruals	**29.8**	31.1	**10.6**	7.6
Deferred cash contributions and rent-free periods	**–**	9.3	**–**	0.1
Total current trade and other payables	**103.3**	127.3	**260.2**	248.4
Total trade and other payables	**105.5**	166.6	**260.2**	248.7

The balances due to related parties are repayable on demand.

The maturity analysis of non-current deferred cash contributions and rent-free periods is as follows:

	Group		Company	
	2020 £m	2019 £m	**2020 £m**	2019 £m
1 – 2 years	**0.1**	7.8	**–**	0.1
2 – 5 years	**0.3**	18.1	**–**	0.1
Greater than 5 years	**–**	12.0	**–**	0.1
Non-current deferred cash contributions and rent-free periods	**0.4**	37.9	**–**	0.3

Some of the non-current deferred cash contributions and rent-free period balances have been moved to the right of use asset under the transition to IFRS 16 reporting.

Gift voucher liability

Gift cards constitute contract liabilities for the purpose of IFRS 15. This is the case where payment is received in advance of the performance obligations, which will be discharged at a later point in time. IFRS 15 therefore requires disclosure of the value of these outstanding liabilities at year-end, and the value recognised during the year for those performance obligations being met. The below amounts are included within trade and other payables:

	Group	
	2020 £m	2019 £m
Opening balance	**3.5**	2.3
Effect of change in accounting policy for IFRS 15	**–**	1.1
Adjusted opening balance	**3.5**	3.4
New issues	**6.7**	8.1
Released to the income statement	**(7.2)**	(8.0)
Closing balance	**3.0**	3.5

Substantially all of the revenue deferred at the current financial year-end will be recognised within in the following two financial years.

28. Provision for other liabilities and charges

	Group					
	Onerous property related contracts 2020 £m	**Other provisions 2020 £m**	**Total 2020 £m**	Onerous property related contracts 2019 £m	Other provisions 2019 £m	Total 2019 £m
Provisions for other liabilities and charges at the start of the period	**78.5**	**1.2**	**79.7**	2.5	2.8	5.3
New provisions	**–**	**1.4**	**1.4**	86.9	–	86.9
Adjustment on adoption of IFRS 16	**(48.4)**	**–**	**(48.4)**	–	–	–
Exchange differences	**0.8**	**–**	**0.8**	(1.6)	–	(1.6)
Utilisation in the period	**(6.5)**	**–**	**(6.5)**	(9.3)	–	(9.3)
(Release)/charge in the period	**(12.0)**	**–**	**(12.0)**	–	(1.6)	(1.6)
Provisions for other liabilities and charges at the end of the period	**12.4**	**2.6**	**15.0**	78.5	1.2	79.7
Analysed as:						
Current provisions	**4.2**	**–**	**4.2**	18.1	–	18.1
Non-current provisions	**8.2**	**2.6**	**10.8**	60.4	1.2	61.8

Note 2 outlines the nature, descriptions and sensitivities surrounding the onerous property related contracts.

Other provisions relates to the dilapidation provisions. Dilapidations provisions will be utilised upon the exit or expiry of various property leases which are expected to be between 2020 and 2031. Onerous property related contracts are utilised over the remaining life of the lease, expected to be between 2020 and 2029.

	Company	
	Onerous property related contracts 2020 £m	Onerous property related contracts 2019 £m
Provisions for other liabilities and charges at the start of the period	**2.8**	–
New provisions – onerous property related contracts	**–**	3.3
Adjustment on adoption of IFRS16	**(2.1)**	–
Exchange differences	**–**	(0.1)
Utilisation in the period	**(0.3)**	(0.4)
Charge/release in the period	**(0.1)**	–
Provisions for other liabilities and charges at the end of the period	**0.3**	2.8
Analysed as:		
Current provisions	**0.1**	1.0
Non-current provisions	**0.2**	1.8

Notes to the Group and Company Financial Statements

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29. Contingencies and commitments

Capital expenditure commitments

	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Property, plant and equipment	–	–	–	–

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

Contingent liability

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

30. Leases

Right of use asset

52 weeks ended 25 April 2020	Group Right of use asset* £m	Company Right of use asset £m
Cost		
At 28 April 2019	–	–
Recognition of cost at transition	**335.7**	**6.3**
Additions	**7.7**	–
Disposals	**(2.0)**	–
Lease modifications	**(0.6)**	**0.3**
Exchange rate difference	**3.4**	**0.1**
At 25 April 2020	**344.2**	**6.7**

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

Accumulated depreciation	Group Right of use asset £m	Company Right of use asset £m
At 28 April 2019	–	–
Recognition of impairment at transition	**48.4**	–
Depreciation charge	**55.0**	**1.2**
Disposals	–	–
Impairment	**122.8**	–
At 25 April 2020	**(226.2)**	**1.2**
Net balance sheet amount at 25 April 2020	**118.0**	**5.5**

Of the above impairment of £122.8m, £121.2m constitutes part of the total impairment of £136.8m in FY20 (2019: £42.6m) and relates to an impairment review performed on retail store assets, for further details on this please see note 2. This impairment has been included within exceptional expenses in the year. The remaining £1.6m relates to impairment of the right of use asset which is recognised in underlying expenses. The carrying amount of the right of use asset is split between motor vehicles of £0.4m (2019: £nil) and property of £117.6m (2019: £nil). Items in the Group statement of comprehensive income not impacted by IFRS 16:

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

Lease liability

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

30. Leases CONTINUED

Analysed as:	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Current lease liability	**80.1**	–	**1.8**	–
Non-current lease liability	**240.8**	–	**6.3**	–
Total lease liability	**320.9**	–	**8.1**	–

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

	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Less than one year	**84.4**	–	**2.3**	–
One to two years	**65.2**	–	**1.9**	–
Two to five years	**138.6**	–	**3.6**	–
More than five years	**51.8**	–	**0.8**	–
Total undiscounted lease liability	**340.0**	–	**8.6**	–

Reconciliation of liabilities to cash flow arising from financing activities:

	Group 2020 £m	Company 2020 £m
At 28 April 2019	**–**	–
Recognition of lease liability on transition	**372.1**	8.8
Payment of lease liability	**(66.8)**	(1.4)
Increase in lease liability	**7.8**	0.4
Disposal of lease liability	**(2.3)**	–
Interest expense	**5.7**	0.2
Foreign exchange differences	**4.4**	0.1
Closing lease liability	**320.9**	8.1

31. Property commitments

The future aggregate minimum lease payments under non-cancellable commitments are as follows:

	Land and buildings			
	Group		Company	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Due within 1 year	**13.3**	91.8	**0.7**	2.3
Due in more than 1 year, but no more than 5 years	**31.3**	246.4	**2.0**	7.0
Due in more than 5 years	**5.6**	86.2	**0.4**	2.4
Total operating lease commitments	**50.2**	424.4	**3.1**	11.7

The group leases various retail stores, offices and vehicles under non-cancellable operating leases. The leases have varying terms, escalating clauses and renewal rights. On renewal, the terms of the leases are renegotiated. From 28 April 2019, the group has recognised right-of-use assets for these leases, except for short term and low-value leases. In the prior year figures include rent and service charge, due to IFRS 16 rent is recorded as a right of use asset in 2020 therefore the current figures relate to service charges only.

Not included in the above commitments are contingent rental payments which are linked to sales generated from stores. For individual stores, up to 100% of lease payments are on the basis of variable contracts with various percentages within the terms.

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32. Note to the cashflow statement

Reconciliation of operating profit to cash generated from operations

		Group		Company	
	Note	**2020 £m**	2019* £m	**2020 £m**	2019 £m
Operating (loss)/profit		**(159.4)**	(68.2)	**2.5**	(14.5)
Adjusted for:					
– Gain on derivatives	6	**(1.9)**	(23.9)	**–**	–
– Depreciation of property, plant and equipment and right of use assets	18,30	**78.5**	32.6	**5.3**	4.1
– Amortisation of intangible assets	19	**8.7**	9.3	**5.5**	5.6
– Impairment of property, plant and equipment, right of use assets and intangible assets		**139.1**	42.6	**0.8**	4.0
– Loss on disposal of property, plant and equipment		**0.3**	0.4	**0.3**	–
– (Decrease)/increase in onerous property related contracts provision	28	**(12.0)**	86.9	**(0.1)**	3.3
– Restructuring costs	6	**–**	0.5	**–**	–
– Release of lease incentives		**(0.1)**	(9.7)	**–**	(0.1)
– Employee share award schemes	8	**0.9**	0.9	**0.6**	0.7
– IFRS 2 charge – FSP	9	**0.3**	2.6	**(0.3)**	0.6
– Foreign exchange losses		**(1.9)**	4.5	**0.1**	(0.3)
– Write down of inventory	23	**7.7**	–	**0.1**	–
– Bad debt expense	24	**15.3**	–	–	–
Operating cash flow before movements in working capital		**75.5**	78.5	**14.8**	3.4
Changes in working capital:					
–Decrease/(increase) in inventories		**21.6**	(25.5)	**(0.3)**	0.2
–Decrease/(increase) in trade and other receivables		**14.6**	9.4	**(55.8)**	(19.4)
–(Decrease)/increase in trade and other payables and provisions		**(24.2)**	(7.8)	**10.6**	83.7
Cash generated from operating activities		**87.5**	54.6	**(30.7)**	67.9

* The reported comparatives have been restated to reflect a prior year adjustment, see note 36

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

33. Net cash/(debt)

Analysis of net cash/(debt)

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

	Company			
	2019* £m	Cash flow £m	Non-cash changes £m	**2020 £m**
Cash and short-term deposits	1.0	2.3	(0.1)	**3.2**
Overdraft	(0.5)	(59.6)	–	**(60.1)**
Net debt	0.5	(57.3)	(0.1)	**(56.9)**

* 2019 balances for cash and borrowings have been restated to reflect the grossing up of cash and overdraft balances subject to the group's cash pooling arrangements and to ensure the Group's presentation of these balances is in line with the requirements for offsetting in accordance with IAS 32. See note 36.

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

34. Financial risk management

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

Credit risk – Group accounts

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

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

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

Impairment of financial assets

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

A loss allowance is recognised based on ECL. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.
The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. None of the trade receivables that have been written off are subject to enforcement activities.

Significant increase in credit risk

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

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

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

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

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

34. Financial risk management CONTINUED

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group's foreign currency exposure is as follows:

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

34. Financial risk management CONTINUED

Cash flow interest rate risk

The Group has financial assets and liabilities which are exposed to changes in market interest rates. Changes in interest rates impact primarily on deposits, loans and borrowings by changing their future cash flows (variable rate). Management does not currently have a formal policy of determining how much of the Group's exposure should be at fixed or variable rates and the Group does not use hedging instruments to minimise its exposure. However, at the time of taking out new loans or borrowings, management uses its judgement to determine whether it believes that a fixed or variable rate would be more favourable for the Group over the expected period until maturity. Sensitivity analysis has not been provided due to the low level of loans and borrowings within the Group. The Group's significant interest-bearing assets and liabilities are disclosed in notes 25 and 26.

Liquidity risk

Cash flow forecasting is performed on a Group basis by the monitoring of rolling forecasts of the Group's liquidity requirements to ensure that it has sufficient cash to meet operational needs. The maturity profile of the Group's liabilities is analysed in notes 26, 27 and 30.

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

Following Covid-19, the Group is managing cash flows very closely, this involves working with landlords for rent relief and prioritising certain payments to ensure cash levels remain in surplus. The Group benefited from the UK government's decision to grant a 12 month holiday on business rates. The Group also took early and decisive cash preservation measures across the business including deferral of tax payments and seeking reductions in business rates as a result of UK government support. The Group utilised government support packages offered in many countries where the Group operate resulting in furloughing 4,000 staff (88% of our workforce and comprising mostly retail staff) during the period stores were closed. See note 38 for further details.

Maturity of undiscounted financial liabilities (excluding derivatives)

The expected maturity of undiscounted financial liabilities is as follows:

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

The above balances relate to trade and other payables and overdrafts. See note 30 for analysis of undiscounted lease liabilities.

Valuation hierarchy

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

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

The level 2 forward foreign exchange valuations are derived from mark-to-market valuations based on observable market data as at the close of business on 25 April 2020. The notional principal amount of the outstanding outright FX contracts as at 25 April 2020 was £245.2m (2019: £270.1m). Structured forward foreign exchange contracts are in place to sell up to €96m (£87.4m) depending on the exchange rates set on fixing dates over the next 12 months (2019: to buy up to USD 86.5m (£67.0m) and sell up to EUR 183m (£158.1m) in exchange for a variable amount of GBP depending on the underlying conditions at maturity.

Derivative financial instruments

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

34. Financial risk management CONTINUED

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

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

All financial derivative instruments are due within 24 months.

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

Capital risk management

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital employed. Net debt is defined in note 37. Total capital employed is calculated as "equity" as shown in the consolidated balance sheet plus net debt. The Group is in a net cash position at 25 April 2020.

The Board has put in place a distribution policy which takes into account the degree of maintainability of the Group's profit streams as well as the requirement to maintain a certain level of cash resources for working capital and capital investment purposes. The Board will recommend an ordinary dividend broadly reflecting the profits in the relevant period. In addition, the Board will consider and, if appropriate, recommend the payment of a supplemental dividend alongside the final ordinary dividend. The value of any such supplemental dividend will vary depending on the performance of the Group and the Group's anticipated working capital and capital investment requirements through the cycle. It is intended that, in normal circumstances, the value of the ordinary dividends declared in respect of any year are covered at least three times by underlying profit after tax (see note 37 for definition).

The capital structure is as follows:

	Group		Company	
	2020 £m	2019* £m	2020 £m	2019* £m
Equity	**112.7**	257.5	**225.4**	375.6
Cash and cash equivalents	**307.4**	49.5	**3.2**	1.0
Overdraft	**(270.7)**	(13.6)	**(60.1)**	(0.5)
Net cash and cash equivalents	**36.7**	35.9	**(56.9)**	0.5

* 2019 balances for cash and cash equivalents have been restated to reflect the grossing up of cash and overdraft balances subject to the group's cash pooling arrangements and to ensure the Group's presentation of these balances is in line with the requirements for offsetting in accordance with IAS 32. See note 36.

34. Financial risk management CONTINUED

Financial instruments by category CONTINUED

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

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

	Company	
	Financial assets at amortised cost 2020 £m	Financial assets at amortised cost 2019 £m
Trade and other receivables excluding prepayments	**243.6**	181.0
Cash and cash equivalents	**3.2**	1.0
Financial instruments – assets	**246.8**	182.0

	Company	
	Other financial liabilities at amortised cost 2020 £m	Other financial liabilities at amortised cost 2019 £m
Trade and other payables excluding non-financial liabilities	**258.8**	248.4
Lease liabilities	**8.1**	–
Overdrafts	**60.1**	0.5
Financial instruments – liabilities	**327.6**	248.9

Notes to the Group and Company Financial Statements

to the members of Superdry Plc

35. Share capital

Authorised, allotted and fully paid 5p shares

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

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

36. Prior year restatement

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

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

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

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

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

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

36. Prior year restatement CONTINUED

Group Balance Sheet as at 27 April 2019

	52 weeks to 27 April 2019 previously reported £m	Stock adjustment	Cash netting adjustment	52 weeks to 27 April 2019 £m
ASSETS				
Total non-current assets	159.7	–	–	159.7
Current assets				
Inventories	190.8	(3.9)	–	186.9
Trade and other receivables	122.4	–	–	122.4
Derivative financial instruments	0.4	–	–	0.4
Assets classified as held for sale	2.4	–	–	2.4
Cash and bank balances	35.9	–	13.6	49.5
Current tax receivable	–	0.3	–	0.3
Total current assets	351.9	(3.6)	13.6	361.9
LIABILITIES				
Current liabilities				
Trade and other payables	127.3	–	–	127.3
Borrowings	–	–	13.6	13.6
Provisions for other liabilities and charges	18.1	–	–	18.1
Current tax liabilities	0.4	0.4	–	–
Derivative financial instruments	1.4	–	–	1.4
Total current liabilities	147.2	0.4	13.6	160.4
Total non-current liabilities	103.7	–	–	103.7
Net assets	260.7	(3.2)	–	257.5
EQUITY				
Share capital	4.1	–	–	4.1
Share premium	149.1	–	–	149.1
Translation reserve	(3.0)	–	–	(3.0)
Merger reserve	(302.5)	–	–	(302.5)
Retained earnings	413.0	(3.2)	–	409.8
Total equity	260.7	(3.2)	–	257.5

37. Alternative performance measures

Introduction

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

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

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

Exceptional and other items

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

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

Exceptional items

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

Other items

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

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

Exceptional and other items in this period

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

37. Alternative performance measures CONTINUED

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

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

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

Restructuring, strategic change and other costs – financial years 2020 and 2019

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

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

Store asset impairment and onerous property related contracts provision – financial years 2020 and 2019

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

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

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

Founder Share Plan ("FSP") – IFRS 2 charge – financial years 2020 and 2019

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

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

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

See note 9 for further details of the FSP.

Share of joint venture exceptional costs – financial year 2019

During financial year 2019 Trendy & Superdry Holding Ltd carried out a store asset impairment and onerous lease provision review, similar to the one mentioned above, which has led to exceptional losses. This is a joint venture of the Group (see note 20).

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

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

37. Alternative performance measures CONTINUED

Underlying gross profit and margin

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

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

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

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

* The reported comparatives have been restated to reflect a prior year adjustment, see note 36

Underlying operating profit and margin

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

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

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

* The reported comparatives have been restated to reflect a prior year adjustment, see note 36

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

* The reported comparatives have been restated to reflect a prior year adjustment, see note 36

37. Alternative performance measures CONTINUED

Like-for-like revenue growth

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

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

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

Underlying(loss)/profit before tax

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

This is a measure used within the Group's incentive plans. Refer to the Remuneration Report on pages 85 to 104 for explanation of why this measure is used within incentive plans.

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

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

* The reported comparatives have been restated to reflect a prior year adjustment, see note 36

37. Alternative performance measures CONTINUED

Underlying tax expense and underlying effective tax rate

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

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

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

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

* The reported comparatives have been restated to reflect a prior year adjustment, see note 36

Net cash/debt

In the opinion of the Directors, net cash/debt is a useful measure to monitor the overall cash position of the Group. It is the total of all short and long-term loans and borrowings, less cash and cash equivalents. See note 33 for the Group's net cash/(debt) position. This position is exclusive of financial liabilities in relation to IFRS 16.

Underlying EPS

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

38. Government assistance

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

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

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

39. Post balance sheet events

Exit of China joint venture

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

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

Refinancing

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

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

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

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

Restructuring announcement

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

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

Notes to the Group and Company Financial Statements

to the members of Superdry Plc

40. Details of related undertakings

Superdry Plc (the Company) is a public company limited by shares incorporated in the United Kingdom under the Companies Act and is registered in England and Wales. The address of the Company's registered office is shown below.

Details of related undertakings including principal activity, country of incorporation and percentage of shares held by the Company are listed in note 20. The ultimate parent company and controlling party is Superdry Plc. The registered office address of each related undertaking is listed below:

UK

Superdry Plc
C-Retail Limited
DKH Retail Limited
SuperGroup Concessions Limited
SuperGroup Internet Limited
Unit 60 The Runnings
Cheltenham
Gloucestershire
GL51 9NW
United Kingdom

Europe

SuperGroup Europe BVBA
SuperGroup Belgium NV
SuperGroup Belgium Finance NV
Industrielaan 3
1702 Dilbeek
Brussels
Belgium

Superdry Germany GmbH
Sendlinger Str.6
80331
Munich
Germany

Superdry France SARL
16 Rue Portalis
75008
Paris
France

SuperGroup Netherlands BV
SuperGroup Netherlands Retail BV
Nieuwstraat 156
5126CH
Gilze
The Netherlands

SuperGroup Retail Spain S.L.U
30-38 Carrer Pellaires
08019
Barcelona
Spain

SuperGroup Retail Ireland Limited
c/o Egan O'Reilly Solicitors
19, Upper Mount Street
Dublin 2
Ireland

SuperGroup Sweden AB
c/o CorpNordic Sweden AB
Box 16285
103 25 Stockholm
Sweden

Superdry Norway A/S
Dronningens gate 8B
0151 Oslo
Norway

Superdry Retail Denmark A/S
SuperGroup Nordic and Baltics A/S
Emdrupvej 26 1. Sal
2100 København Ø
Denmark

Horace
703 Route Nationale
83310
Grimaud
France

Asia

SuperGroup India Private Limited
14th Floor, Dr. Gopal Das Bhawan
28 Barakhamba Road
New Delhi – 110001
India

Superdry Mumessillik Hizmet ve Ticaret Limited Sirketi
Baglar Mahallesi Yavuz Sultan Selim
Caddesi Canel
Plaza no: 15
Kat 9 Bagcılar-istanbul
Turkey

Superdry Hong Kong Limited
1106-8, 11th Floor, Tai Yau Building
No 181 Johnston Road
Wanchai
Hong Kong

Trendy & Superdry Holding Limited
13th Floor Gloucester Tower
The Landmark
15 Queen's Road
Central
Hong Kong

North America

Superdry Retail LLC
Superdry Wholesale LLC
SuperGroup USA Inc
160 Greentree Drive
Suite 101
Dover
DE 19904
USA

Five Year History

(Unaudited)	2016* £m	2017 £m	2018 £m	2019** £m	2020*** £m
Revenue	597.5	752.0	872.0	871.7	**704.4**
Cost of sales	(229.7)	(299.0)	(365.5)	(391.3)	**(326.5)**
Gross profit	367.8	453.0	506.5	480.4	**377.9**
Selling, general and administrative expenses – underlying	(303.2)	(375.4)	(418.5)	(447.0)	**(412.1)**
Impairment losses on trade receivables	–	–	–	–	**(9.2)**
Other gains and losses (net) – underlying	8.5	11.8	12.3	10.8	**9.1**
Operating profit before exceptional and other items – underlying	73.1	89.4	100.3	44.2	**(34.3)**
Exceptional and other items (net)	(17.0)	(2.2)	(31.7)	(116.3)	**(125.1)**
Operating profit/(loss)	56.1	87.2	68.6	(72.1)	**(159.4)**
Finance costs (net)	(0.1)	0.2	(0.3)	(1.0)	**(7.5)**
Impairment losses on financial assets	–	–	–	(10.0)	**–**
Share of loss in investment/joint venture	(0.6)	(2.6)	(3.0)	(6.2)	**–**
Profit/(loss) before tax	55.4	84.8	65.3	(89.3)	**(166.9)**
Tax expense	(14.1)	(18.8)	(14.6)	(12.4)	**23.5**
Profit/(loss) for the period	41.3	66.0	50.7	(101.7)	**(143.4)**
Profit attributable to non-controlling interests	0.1	–	–	–	**–**
Profit/(loss) attributable to equity shareholders	41.2	66.0	50.7	(101.7)	**(143.4)**
Underlying profit before tax	72.4	87.0	97.0	38.0	**(41.8)**
Basic earnings per share (pence)	50.7	81.2	62.2	(124.2)	**(174.9)**
Underlying basic earnings per share (pence)	70.9	84.5	93.6	32.4	**(43.5)**
Weighted average number of shares (m)	81.1	81.3	81.5	81.9	**82.0**

* Accounting period consisting of 53 weeks.

** Financial year 2019 includes the implementation of IFRS 9 and IFRS 15. Financial periods 2016-2018 have not been restated for this. Financial year 2019 has been restated to adjust for an error that was identified during financial year 2020. See note 36 for further details.

*** Financial year 2020 includes the implementation of IFRS 16. The comparative periods have not been restated for this

Shareholder Information

Registered office and contact information

Unit 60 The Runnings
Cheltenham
Gloucestershire
GL51 9NW
Registered in England and Wales
Registered Number 07063562
T: +44 (0) 01242 578 376

Shareholder enquiries may be submitted to company.secretary@superdry.com

This report and other information on Superdry Plc is available to download on corporate.superdry.com

General shareholder enquiries

Enquiries relating to shareholders, such as the transfer of shares, change of name or address, lost share certificates or dividend cheques, should be referred to the Company's registrar, Computershare, using the details below:

Computershare Investor Services Plc
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ

Shareholder information line: 0370 889 3102. Lines are open Monday to Friday, excluding bank holidays and weekends, 8.30am to 5.30pm. Please dial +44 370 889 3102 if calling from outside the UK.

* For those with hearing difficulties, a textphone is available on 0370 702 0005 for UK callers with compatible equipment.

Annual General Meeting

The Annual General Meeting will be held at 11.30am on Tuesday 22 October 2020 virtually with no physical attendance due to Covid restrictions. The notice of the meeting, together with details of the business to be conducted at the meeting, is available on corporate.superdry.com

The voting results of the 2020 AGM will be accessible on corporate.superdry.com shortly after the meeting.

Dividends

An interim dividend for the financial year ended 25 April 2020 of 2.0p per ordinary share was paid on 21 January 2020. No final dividend is proposed.

Electronic communications

Shareholders may choose to receive all shareholder documentation in electronic form rather than paper. If you elect this option you will receive an email each time a shareholder document is published on our website.

Tax vouchers and annual statements will be sent to your Investor Centre account. You can register for the Investor Centre at www.computershare.com/investor

To receive documentation in electronic form you just need to change your preference on your Investor Centre account or, alternatively, you can call the shareholder information line on 0370 889 3102.

Share dealing

Superdry Plc certificated shares can be traded through most banks, building societies or stockbrokers. Computershare offers telephone and internet dealing services. Terms and conditions and details of the commission charges are available on request.

This service is available Monday to Friday from 8.00am to 4.30pm excluding bank holidays and weekends, where a professional and qualified dealer will be pleased to assist you. If you would like to use the service please call 0370 703 0084. Please ensure you have your Shareholder Reference Number ("SRN") ready when making the call. The SRN appears on your share certificate or your nominee statement.

To register for internet dealing services visit www.computershare-sharedealing.co.uk

Share price information

The latest Superdry Plc share price is available on corporate.superdry.com

Unauthorised brokers (boiler room scams)

Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. If you receive any unsolicited investment advice, get the correct name of the person and organisation and check that they are properly authorised by the Financial Conduct Authority (FCA) before getting involved by visiting www.fca.org.uk/register/

If you think you have been approached by an unauthorised firm you should contact the FCA consumer helpline on 0800 111 6768. More detailed information can be found at www.fca.org.uk/consumers/protect-yourself/unauthorised-firms

Cautionary statement

This Annual Report and Accounts ("Report") contains certain forward-looking statements with respect to the financial condition, results of the operations and businesses 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 Report. 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 Report is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this Report, this inside information is now considered to be in the public domain.


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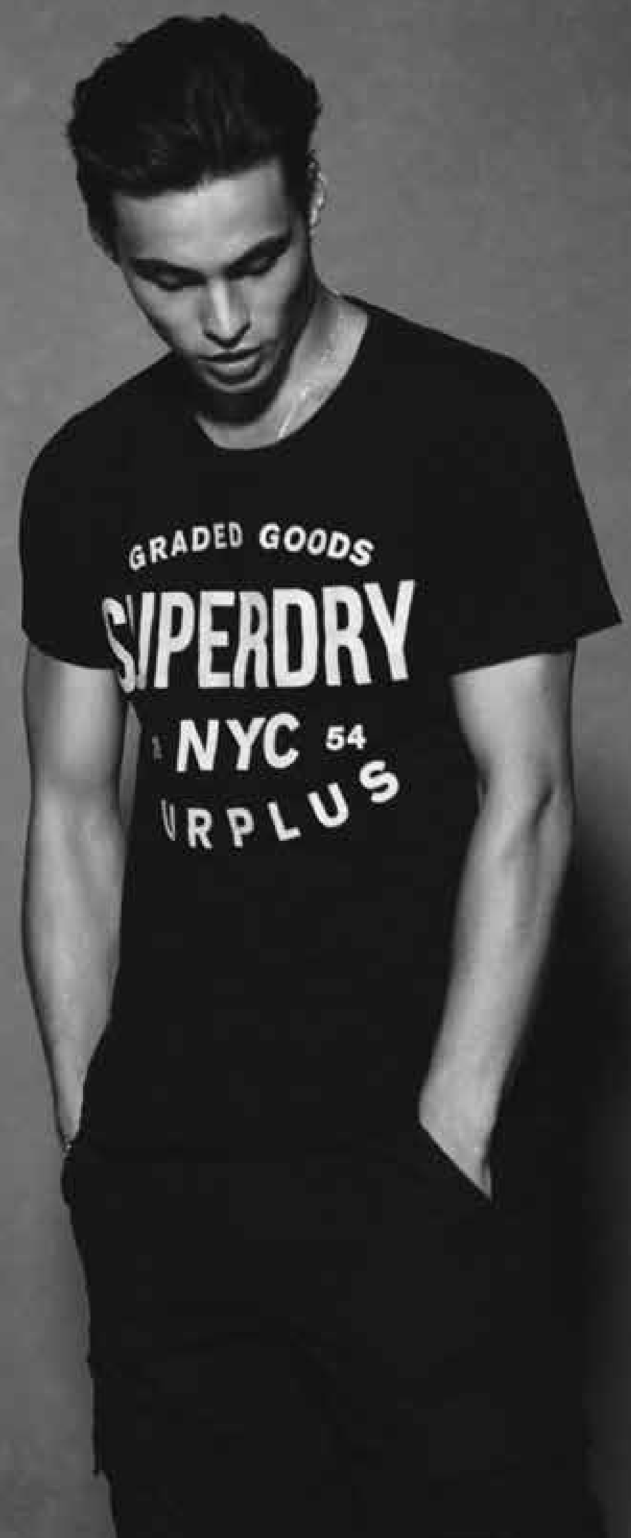
冒険魂



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