THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

1 June 2023

Dr. Martens plc

Preliminary results for the year ended 31 March 2023

Milestone revenue of £1bn achieved; investment for future growth

"We achieved annual revenue of £1bn for the first time, up 10% and up 4% in constant currency. Reaching this milestone is testament to the strength of our brand, our long-standing DOCS strategy and the hard work and dedication of our fantastic people globally. Direct to consumer is now more than half our revenue and the Dr. Martens brand remains strong with all key metrics either ahead of, or in line with, last year. In EMEA and Japan, where we executed our strategy well, performance was very good with encouraging momentum going into the new financial year.

"In America, against the backdrop of a challenging consumer environment, we made operational mistakes, such as the move to our LA Distribution Centre, and how we executed our marketing campaigns and ecommerce trading. We have undertaken detailed reviews to understand why these issues occurred and have begun to embed the lessons learned into the business. We are fixing the issues in America, including a significant strengthening of the team there, and returning America to good growth is our number one operational priority.

"We are focused on the successful execution of our proven DOCS strategy, which we will underpin with continued investment in the business and our people to support our increasing scale and capitalise on our iconic brand's strength. The board retains its conviction in the strategy, long-term growth and cash generation of the business. It is therefore proposing to maintain the final dividend at 4.28p per share and will seek shareholder approval at the AGM to commence an initial share buyback programme of up to £50m."

Kenny Wilson, Chief Executive Officer

£m	FY23	FY22	% change Actual	% change CC[2]
Revenue	**1,000.3**	908.3	*10%*	*4%*
EBITDA[1]	**245.0**	263.0	*-7%*	
PBT	**159.4**	214.3	*-26%*	
Profit after tax	**128.9**	181.2	*-29%*	
Basic EPS (p)	**12.9**	18.1	*-29%*	
Dividend per share (p)	**5.84**	5.50	*6%*	

[1] EBITDA – Earnings before exchange gains/losses, finance income/expense, income tax, depreciation and amortisation, and impairment
[2] Constant currency applies the same exchange rate to the FY23 and FY22 results, based on FY23 budgeted rates

Financial highlights

- Revenue up 10%, or 4% constant currency (CC), to £1,000.3m, reaching this milestone for the first time
- Direct-to-consumer (DTC) channel was up 16%, 11% (CC)
  - Retail up 30%, 25% CC and ecommerce up 6%, 1% CC
- Wholesale up 4%, down 3% CC; weaker shipments in America, due partly to LA DC bottleneck, and our decision to stop sales to our China distributor ahead of agreement end
- Strong performance in EMEA but softer performance in America, while in APAC, Japan's strong DTC growth was offset by Covid-19 restrictions and lower sales to our China distributor
- EBITDA down 7% to £245.0m due to slower revenue growth, continued investment in new stores, marketing and people, and £15m costs associated with the Los Angeles distribution centre (LA DC) issues; EBITDA margin was therefore lower by 4.5%pts at 24.5%
- Profit before tax (PBT) was down more than EBITDA due to higher depreciation and amortisation, as expected, a £3.9m impairment charge and a £10.7m charge from the FX translation of our Euro bank debt
- The Board is proposing a final dividend of 4.28p, level with last year, taking the total dividend to 5.84p, up 6%; intention to commence initial share buyback of up to £50m

Strategic highlights

- DTC First
  - DTC mix up 3%pts to 52%
  - Opened 52 own retail stores including transfer of 14 franchise stores in Japan

- Successful repair and resale trial in the UK; America trial in FY24
- Organisational and Operational Excellence
  - ERP implemented in Japan; now c.95% of revenue via our global ERP platform
  - Order management system implemented in EMEA with omnichannel trial underway in the UK
- Consumer Connection
  - Continued brand strength; 'awareness'[1] and 'familiarity'[1] level at 72% and 47% respectively while 'ever purchased'[2] and 'last 24 month purchased'[2] both improved
  - Increased marketing share of revenue by 0.4%pts; further growth of social media followers to 10.6m
- Support brand expansion with B2B
  - Wholesale revenue per account up 15%[3]
  - No. of customers reduced by 5%; working with better quality partners

[1] 'How familiar are you with the following brands of footwear?'
[2] 'When was the most recent time you purchased footwear from the following brands?'
[3] Revenue per account is revenue divided by the average number of accounts in year. Italy is excluded due to impact of FY22 conversion.

Current trading and outlook

Trading since the start of FY24 has been in line with our expectations with very good DTC growth against a strong base and wholesale revenue lower than last year, as planned. We are maintaining our revenue guidance for the year of mid to high single digit growth in constant currency.

Price increases will cover supply chain cost inflation. As previously announced, temporary warehousing costs in LA are expected to be £15m, split c.£10m in H1 and c.£5m in H2. These costs will unwind in FY25.

The operational issues experienced during FY23 have demonstrated that continuing to invest in our infrastructure and capabilities to support our increasing scale and underpin our long-term growth is the right thing to do. We therefore anticipate the FY24 EBITDA margin will be 1-2%pts lower than FY23.

The H1/H2 split will reflect the usual trading pattern with lower revenue and margin in H1 than H2, amplified by the expected timing of the recovery in America and our investments. We expect H1 revenue to be broadly in line with the prior year and EBITDA margin to be 5-6%pts lower.

In FY25, we expect high single digit revenue growth. While there will be further incremental investment in FY25, we also expect an improvement in EBITDA margin. In the medium term, we expect double-digit revenue growth and further margin expansion.

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This announcement contains inside information. The person responsible for arranging the release of this announcement on behalf of the Company is Emily Reichwald, Chief People and Sustainability Officer and Company Secretary.

Presentation of preliminary results

Kenny Wilson, CEO and Jon Mortimore, CFO will be presenting the FY23 results at 09:30 (BST) on 1 June 2023. The presentation will be streamed live and the link to join is https://www.drmartensplc.com. A playback of the presentation will be available on our corporate website after the event, at https://www.drmartensplc.com/investors/results-centre.

Financial calendar

The next scheduled events are:-

- AGM – 13 July 2023
- Interim results – 30 November 2023

About Dr. Martens

Dr. Martens is an iconic British brand founded in 1960 in Northamptonshire, England. Produced originally for workers looking for tough, durable boots, the brand was quickly adopted by diverse youth subcultures and associated musical movements. Dr. Martens has since transcended its working-class roots while still celebrating its proud heritage and, more than six decades later, "Docs" or "DM's" are worn by people around the world who use them as a symbol of empowerment and their own individual attitude. The Company is a constituent of the FTSE 250 index.

CEO review
Reflections on the past year

Reaching the revenue milestone of £1bn this year, with growth of 10% (4% CC), is an achievement everyone at Dr. Martens can be proud of. As well as the passion and hard work of our people, it is testament to the strength of our iconic brand and the success of our DOCS strategy.

Brand equity is strong. All our brand indicators confirm that the slower pace of growth this year is not a reflection of weakening brand momentum, but rather a combination of execution and macro factors. Our most recent brand surveys report metrics ahead of, or in line with, last year; our growing DTC mix (up 3%pts to 52%) gives us more brand control as we reach more consumers directly; and our EMEA DTC performance in the year, with growth of 20%, shows what we can achieve when we execute our DOCS strategy well.

EMEA saw strong performances across its conversion markets and a very good year in the UK, our home market. We've also seen good momentum in Japan, where we transferred 14 franchise stores successfully to owned and operated towards the year end. Following these transfers, Japan will have a c.80% DTC mix.

Across our product categories, we saw good growth in shoes and sandals across all regions, although boots were down in the year. There were successes within our ongoing infrastructure investments, including the launch of an omnichannel trial in the UK, an important step in our journey to a seamless omnichannel capability. In sustainability, we made further good progress including the launch of a repair and resale trial on Depop in the UK and an investment in recycled leather company Gen Phoenix to support our sustainable materials strategy.

However, we were held back in the year by the performance of our America region. The weather worked against us at times and the consumer backdrop was challenging but as the year progressed, we concluded that the biggest driver of our weak performance in America was poor operational execution.

The move of our main west coast DC from Portland to LA was poorly implemented. We also made mistakes executing our marketing campaigns which were too focused on shoes and sandals, which grew well, but not focused enough on boots. This led to boots revenue declining in America and holding back overall boot sales for the Group. In addition, our ecommerce execution wasn't strong enough. This weaker than planned performance in America meant that at Group level the price increases we put through didn't offset fully cost inflation.

Finally, in hindsight, we ordered too much inventory for America given the tough environment and our poor execution. However, the inventory in America is predominantly best-selling, continuity, black boots and shoes so, while it will take until H2 to right-size inventory levels, there is minimal markdown risk.

Following the appointment of our new America President in FY22, we identified a need to strengthen the leadership team in America and the FY23 performance reinforced this conclusion. We have made new hires to lead digital, marketing and HR, and we are currently recruiting a new Head of Operations. This stronger team will support the America President in turning around performance. Getting America back into growth is our number one business priority and we have confidence in our plans to correct and revitalise the marketing programme, and to improve our technology implementation and website trading, with improvements expected from H2 FY24.

The LA DC issues and reaching the £1bn revenue milestone have also led us to re-evaluate the investment in capability and infrastructure across the company that is required to de-risk future growth. Dr. Martens has been on a professionalisation journey with an 'invest to grow' mindset for a number of years. In FY24, we will increase investment in specific areas, namely global product and marketing teams, ecommerce development, supply chain capability (both people and IT systems) and wider talent within the business. The opex elements of these investments will total c.£20m in FY24 and will be made alongside our ongoing brand marketing and new store investment. While there will be further incremental investment in FY25, it will be materially less than FY24.

While these investments mean margins in FY24 will be held back, I am confident this further professionalisation of the business is the right response to the issues of FY23 and that it will be the catalyst for future growth towards the next milestone of becoming a £2bn global footwear brand.

DOCS strategy

The framework within which we will make these investments to strengthen our resilience and underpin future growth is our long-standing DOCS strategy, which consists of four main pillars:

- **D: DTC first.** Through increasing the number of own stores and growing ecommerce we aim to build brand equity and drive margin expansion. We are also working on building a profitable resale, repair and end of life business model.
- **O: Organisational and Operational Excellence.** Investing in and improving our organisation, operations and IT to enable growth and unlock value.
- **C: Consumer connection.** We are focused on acquiring new consumers and driving loyalty. Our marketing initiatives, product innovation and sustainability work sit within this pillar.
- **S: Support brand expansion with B2B.** This focuses on our B2B business, which is made up of wholesalers and distributors. We will continue to partner with fewer and better B2B partners to reach more consumers and grow the brand further. Our conversion market strategy is also included within this pillar.

Performance summary

We delivered a resilient revenue performance in the year, reaching the revenue milestone of £1bn for the first time. At £1,000.3m, revenue grew 10%, or 4% CC, with DTC mix up 3%pts to 52%. We sold 13.8m pairs in the year, down 2% on the previous year with a good performance in EMEA and Japan, but a weaker result in America. Without the impact of planned, strategic volume reductions to distributors, pairs sold were up 2%.

Channel performance

DTC revenue was £520.7m, up 16% and 11% CC.

This was led by a very strong performance from retail which grew 30%, 25% CC, to £241.7m. Retail growth was driven by our accelerated store opening programme, the ongoing post-pandemic return to physical shopping and a 5% price increase on average. We opened 52 new own stores in the year, including 14 franchise transfers in Japan, offset by three closures and three location upgrades. We expect to achieve the full financial benefit from these new stores through FY24.

We also grew ecommerce with an accelerating growth trend seen through Q4. Ecommerce revenue was £279.0m, up 6% or 1% CC. Revenue grew well in EMEA but was behind the previous year in CC in America, due to a tough consumer environment and execution mistakes. In APAC, Japan growth was offset by weakness elsewhere, mainly in China, where we had zero revenue in Q1 due to Covid-19 lockdowns.

Our wholesale channel achieved revenue of £479.6m, up 4% but down 3% CC. In CC, wholesale revenue was up in EMEA but down in America and APAC, with the latter impacted by the planned ending of sales to our China distributor, as we move to full DOCS strategy implementation. The number of wholesale accounts globally was reduced by 5%. To protect our brand equity further in EMEA, as previously disclosed we will reduce supply to etailers by 4%pts of group revenue, equivalent to around 0.5m pairs, in FY24.

Regional performance

EMEA

Performance in EMEA was reflective of a well-executed DOCS strategy. Revenue grew 11%, 10% CC, to £443.0m. Both DTC and wholesale grew with retail particularly strong and all channels accelerating in Q4. DTC growth was 20%, 19% CC, with retail up 36%, 34% CC, and ecommerce up 7%, 8% CC. Wholesale revenue grew 3% or flat CC. The UK, our home market, grew revenue 12%. Revenue and DTC mix grew in all our other key EMEA markets and DTC mix was up 5%pts in France, 8%pts in Germany, 11%pts in Italy and 24%pts in Spain. We opened 13 new stores.

America

It was a disappointing year in America. Revenue was £428.2m, up 12% but down 1% CC. As described above, against a challenging consumer backdrop, we made execution mistakes in marketing and ecommerce, and we were impacted by the LA DC operational issues, which affected Q4 wholesale shipments. DTC growth was 15%, or 2% CC. We opened 14 new stores. Wholesale was up 9% but down 4% CC.

APAC

Revenue was £129.1m, up 2% but down 1% CC. DTC performed well with revenue growth of 9%, also 9% CC. We have good momentum going into FY24 with Q4 strong at 35% growth (34% CC). In the year, retail grew 18%, 19% CC while ecommerce was down 1%, also down 1% CC. Wholesale was down 7%, 12% CC, with distributor revenues down 9%, or down 19% CC, due partly to our ending of shipments to our China distributor ahead of the agreement end in June 2023.

Japan, our largest APAC market, traded well in FY23 and has a stronger platform for future growth following the successful transfer of 14 franchise stores to own retail during Q4. At the year end, DTC mix in Japan was 64%, up 6%pts, and on a pro-forma basis, DTC mix is c.80%. Other than the franchise transfers, we opened four new stores in Japan and a further seven elsewhere in the region.

Group performance

Gross profit was up 7% to £618.1m but margin declined 1.9%pts to 61.8%, due mainly to container costs at the LA DC and exchange rates. Operating expenses were up 18% to £373.1m. This was driven by our planned, long-term growth investment in new stores and marketing, but also warehouse and labour costs at the LA DC.

EBITDA was £245.0m, down 7% on the previous year and the EBITDA margin was 24.5%, down 4.5%pts, of which the LA DC impact was 1.5%pts.

Profit before tax was £159.4m, down 26%, impacted by lower EBITDA, increased depreciation from system investments, new stores and DC expansion, a £3.9m impairment charge and a £10.7m charge (against a benefit in FY22) from the FX translation impact on our Euro bank debt. Profit after tax was £128.9m, down 29% while basic EPS was also down 29% to 12.9p.

The Board retains its conviction in the future performance and cash generation of the business, and therefore it has proposed a maintained final dividend per share of 4.28p versus the previous year. This would take the full year dividend to 5.84p per share, up 6% and an earnings payout ratio of 45%. Going forward, we expect profit growth to return the payout ratio back to 35% over time. In addition, the Board will seek shareholder approval at the AGM to commence an initial share buyback programme of £50m.

Brand and Marketing

We measure our brand equity across a number of different measures on a quarterly basis with an extensive annual survey in October and three check-ins over the rest of the year. Last October, we surveyed over 37,000 respondents across 14 markets. Each country's sample is nationally representative on the basis of gender and age.

Our brand equity continues to be strong. Compared to the annual October survey in 2021, Dr. Martens global brand 'awareness'[1] held at 72%, while 'familiarity'[1] also held at 47%. 'Ever purchased'[2] rose 1%pt to 18% while 'last 24 month purchased'[2] grew 2%pts to 10%. Similarly, 'unprompted awareness'[3] either held steady or improved across boots, shoes and sandals. We remain no.1 ranked for boots and no.9 for shoes, while we've moved up from 16th to 14th in sandals. Overall, brand sentiment[4] was up with all regions level or up on the previous year.

Our smaller, quarterly brand 'check-ins' provide us with a snapshot directional view. Our Q1 2023 'check-in' confirmed continued strong brand health.

We will continue to increase marketing spend in order to reach more consumers in our core markets. In FY23, as a percentage of revenue, marketing spend grew 0.4%pts. We will also make additional investments in strengthening our brand teams in FY24.

We ran a number of global marketing campaigns through the year with the highlights being the 'All Access Summer' campaign during Q1 and the 'Unpolished' campaign in September.

- 'All Access Summer' was aimed at getting people out and about and wearing DOCS in the first 'proper' summer since 2019. It was a product-led campaign, focused on growing both shoes and sandals. It highlighted newness in these categories and we activated the campaign at festivals and other key cultural moments over the summer.
- 'Unpolished' was the first of three campaigns for the AW22 season. This campaign was focused on the promotion of our original boots - it was launched on our own channels and through paid social and we used a new TikTok partnership around '#storiesmakeicons' that was linked to live events through the campaign.

We now have 10.6m followers across all social media channels, up 8% on the previous year. A significant majority engage with us through Facebook (4.9m) and Instagram (4.3m) while we have 0.5m followers on TikTok, with 3.4m likes to date.

During the summer of 2022, we carried out a detailed pricing study across our seven priority markets, including consumer testing and validation of potential pricing changes to calculate perceived value for money and elasticity of demand. The pricing study showed that consumers believe our products represent compelling value for money given their durability and quality and that there is further headroom globally to raise prices. Therefore, we are raising prices by 6% on average to cover supply chain cost inflation in the AW23 season. Increases will vary by region with a 3% increase in EMEA, 6% in America and 10% in APAC. These increases are within the headroom shown by the pricing study. Encouragingly, cost of goods inflation for the SS24 season, impacting FY25 mainly, is expected to be c.2%.

[1] 'How familiar are you with the following brands of footwear?'
[2] 'When was the most recent time you purchased footwear from the following brands?'
[3] 'When you think of each of the following types of footwear, which three brands first come to mind?'
[4] 'Overall, how do you feel about each of these brands?'

Product

Our product strategy is to sell boots, shoes and sandals with originals at the core. Within that, we are focused on continuing to drive growth in our big three – the 1460 boot, the 1461 shoe and the Chelsea boot.

Shoes and sandals revenue grew 51% and 54% respectively leading to a combined revenue share of c.30%. There is a significant and long-term growth opportunity in shoes and sandals and we continued to develop and improve our ranges as we grow our presence in these categories.

At Group level, boots revenue declined 10%. In America, this was due to the LA DC issues and mistakes in our marketing approach, which have been corrected for H2 FY24. In EMEA, boots were up in DTC but down in wholesale, as expected, due mainly to the impact from broader product ranges in conversion markets. In APAC, the ending of shipments to our China distributor was the main driver of lower boots revenue.

We have been building out the brand's dimensions in terms of occasions, such as the Winterised range this winter, and the look and feel of our products, such as the growth in softer leathers and the broader range of colours used. We are excited about the pipeline of product innovation which should benefit from SS24 and AW24 seasons.

Collaborations and our AMP accounts are small in terms of sales mix, but they are important for 'brand heat' as they add freshness and excitement to our product strategy. We continue to work with some of the best design and AMP partners on both a regional and global basis. Successful collaborations in the year, promoted and sold in AMP accounts such as End Clothing in the UK and Kith in the US, included a Penton Loafer with Supreme, the Korean partner BT21 across our big three and platform boots with Rick Owens.

<u>Supply chain and IT</u>

At the year end, we were manufacturing in seven countries, including the UK. Shipping times returned to normal by the year and we opened three new DCs in the UK, the Netherlands and in LA.

We completed a successful implementation of our global ERP platform in Japan with c.95% of global revenue now on this single platform. Within EMEA, we implemented an order management system, which meant we could start testing 'click and collect' and 'return to store' in the UK in Q4. This is an important step on our journey towards a seamless omnichannel capability. Through FY24, and as part of our global systems transformation programme, we plan to launch a new product line management system that will drive the journey from 'idea to manufacture', and a new supply and demand planning system, while also starting the development of a customer data platform.

LA DC

While both the new UK and Netherlands DCs opened successfully, in LA, a series of people and process failures led to a bottleneck at the DC, leading to missed wholesale shipments and incurred costs. There were three main issues:-

1. Inventory was transferred from our Portland DC to LA faster than was planned originally
2. We accepted requests from some USA wholesalers to store direct shipments at the LA DC
3. Inbound shipping times into LA improved significantly resulting in inventory arriving quicker than anticipated

In terms of resolving the bottleneck and creating a stronger distribution platform for the future in America, we instigated a number of actions:-

1. We sent our most experienced supply chain team to LA to take control of operations and implement a recovery plan
2. We opened three temporary warehouses to release excess shipping containers and store stock away from the LA DC
3. A third shift was added to focus on the additional work required to unblock the bottleneck and transfer excess stock to the warehouses
4. Work commenced on enlarging and reconfiguring our New Jersey DC on the US east coast, so it can store, pick and pack all product ranges for both DTC and wholesale channels in America

The recovery plans were implemented successfully and all operational issues have been fixed. Shipments returned to normal rates before the year end and wholesale pick and pack was tested successfully at the New Jersey DC in March.

We completed a detailed internal review which has led to a series of planned changes to our ways of working in America and across the company as a whole, including clearer lines of responsibility and control.

As announced at our Q4 update, costs associated with this LA DC issue were £15m in FY23 and are expected to be another £15m in FY24, mainly as a result of keeping temporary warehousing in LA for longer than anticipated originally.

This situation, combined with softer demand in America, means we didn't see the usual H2 reduction in inventory this year. We expect inventory to remain high in H1 FY24 ahead of the peak season and then for inventory to fall in H2 as we purchase less than we plan to sell.

<u>Sustainability – Planet, Product, People</u>

We have made timeless, durable products for more than six decades and, in June 2022, we launched our new sustainability strategy – Planet, Product, People – which sets out our long-term vision to leave things better than we found them. This includes our long-term ambitions to reach Net-Zero, for all our footwear to be made from sustainable materials, our natural materials to be from regenerative sources and for all our products to have a sustainable end-of-life option. It also captures our DE&I strategy and continuing support for The Dr. Martens Foundation as a champion of social justice.

Good progress has been made in FY23: -

Planet

With the support of the Carbon Trust, we submitted our Science-Based Targets to the Science-Based Targets Initiative for verification in December 2022, which set out our plan to become a Net-Zero business by 2040. We also continued to focus on transitioning our operations to renewables – 91% of our UK and European electricity supply now comes from renewable sources.

Product

In March 2023, we announced an investment in, and partnership with, Gen Phoenix, a leading producer of recycled leather at scale. During FY24, we plan to launch product containing its recycled leather material. We also launched our first 'recommerce' business model pilot in the UK. After being restored by our partner, The Boot Repair Company, the second-hand DM's are resold via our online Depop store, which is one of the most popular Depop shops globally. Following this success, we plan to launch 'recommerce' in America during FY24.

People

During the year, we made additional cost-of-living payments to all employees in the UK, Europe, the US, South Korea and Bangladesh, up to a defined earnings threshold, in recognition of acute rises in living costs in these countries. In addition, we established a Hardship Fund, open to all employees, to help those who need financial help, irrespective of location or earnings. As part of our responsible supply chain management, we carried out third party audits of the factories in our supply chain and 100% of our suppliers across both Tier 1 and Tier 2 met our high standards. Our employees also nominated causes to receive funding from the Dr. Martens Foundation with donations totalling £2.4m during the year.

Quarterly revenue performance

The table below shows the quarterly trends for the Group, by channel and by region.

	Q1 23		Q2 23		Q3 23		Q4 23		FY23	
Revenue	**£154.1m**		**£264.5m**		**£335.9m**		**£245.8m**		**£1,000.3m**	
Yoy change	Act	CC	Act	CC	Act	CC	Act	CC	Act	CC
	5%	-1%	19%	11%	9%	3%	6%	-	10%	4%
Channel										
Ecommerce	6%	2%	8%	1%	5%	-1%	8%	2%	6%	1%
Retail	54%	49%	28%	22%	21%	16%	36%	28%	30%	25%
DTC	26%	21%	18%	11%	11%	6%	20%	13%	16%	11%
Wholesale	-11%	-16%	20%	12%	7%	-1%	-4%	-11%	4%	-3%
Region										
EMEA	6%	6%	7%	7%	8%	7%	26%	22%	11%	10%
America	10%	-	31%	13%	16%	1%	-5%	-13%	12%	-1%
APAC	-14%	-15%	28%	23%	-4%	-4%	-5%	-7%	2%	-1%

FY24 and medium-term guidance

For FY24 as a whole, we anticipate: -

- Mid to high single digit revenue growth, constant currency basis
- FY EBITDA margins to be 1-2%pts lower than FY23, driven by the £15m LA DC costs and incremental investment of £20m
- Net new own store openings to be 25-35
- Depreciation and amortisation to be £65-70m
- Net finance costs of c.£25m
- Blended tax rate of c.26%
- Capital expenditure of £50-55m
- Operating cash conversion of more than 100% of EBITDA as our excess inventory position reverses in H2

In FY24, we expect revenue and profit to be more weighted towards H2 than normal. H1 revenue is expected to be broadly in line with H1 FY23. H1 margins are always lower than H2 but the timing of investments and the H1 weighting of LA DC costs will exaggerate this with H1 margin expected to be 5-6%pts below the prior year.

In FY25, we expect high single digit revenue growth. While there will be further incremental investment in FY25, we also expect an improvement in EBITDA margin, as the LA DC costs unwind. In the medium-term, we expect double-digit revenue growth and further margin expansion. Average annual operating cash conversion is expected to be around 70%.

Cautionary statement relating to forward-looking statements

Announcements, presentations to investors, or other documents or reports filed with or furnished to the London Stock Exchange (LSE) and any other written information released, or oral statements made, to the public in the future by or on behalf of Dr. Martens plc and it group companies ("the Group"), may contain forward-looking statements.

Forward-looking statements give the Group's current expectations or forecasts of future events. An investor can identify these statements by the fact that they do not relate strictly to historical or current facts. They use words such as 'aim', 'ambition', 'anticipate', 'estimate', 'expect', 'intend', 'will', 'project', 'plan', 'believe', 'target' and other words and terms of similar meaning in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future actions, future performance or results of current and anticipated products, expenses, the outcome of contingencies such as legal proceedings, dividend payments and financial results. Other than in accordance with its legal or regulatory obligations (including under the Market Abuse Regulation, the UK Listing Rules and the Disclosure and Transparency Rules of the Financial Conduct Authority), the Group undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. The reader should, however, consult any additional disclosures that the Group may make in any documents which it publishes and/or files with the LSE. All readers, wherever located, should take note of these disclosures. Accordingly, no assurance can be given that any particular expectation will be met and investors are cautioned not to place undue reliance on the forward-looking statements.

Forward-looking statements are subject to assumptions, inherent risks and uncertainties, many of which relate to factors that are beyond the Group's control or precise estimate. The Group cautions investors that a number of important factors, including those referred to in this document, could cause actual results to differ materially from those expressed or implied in any forward-looking statement. Any forward-looking statements made by or on behalf of the Group speak only as of the date they are made and are based upon the knowledge and information available to the Directors on the date of this report.

CFO Financial Review
For the year ended 31 March 2023

Revenue reached the key milestone of £1bn in the year, but overall FY23 was challenging due to the supply chain issues at the Los Angeles distribution centre ('LA DC') and a softer trading performance in America. However, we are encouraged by strong DTC volume led growth in EMEA and Japan resulting in good DTC mix expansion.

As a growing brand, we need to continue to invest in infrastructure (primarily marketing, people, and systems) to underpin our increasing scale and support our long-term growth ambitions. During the year, we made targeted investments in these key enablers and therefore, as revenue growth slowed through the year the Group EBITDA margin structure was diluted. We remain committed to continued focused investment to support the long term growth and resilience of the Group.

The economic background in FY23 was challenging with high inflation, rising interest rates and an uncertain geopolitical landscape, which weakened consumer demand in some of our core markets, in particular America. We do not expect this to change materially through FY24.

The Group remains in a strong financial position and we remain confident in our long term growth and cash generation potential. In recognition of this, the Board has proposed, subject to shareholder approval, a final dividend of 4.28p taking the total dividend to 5.84p (FY22: 5.50p). Given the Board's confidence in the Group's prospects we will also seek approval to undertake a share buyback programme of £50m.

Results – at a glance

£m		FY23	FY22	% change Actual	% change CC[4]
Revenue	Ecommerce	**279.0**	262.4	*6%*	*1%*
	Retail	**241.7**	185.6	*30%*	*25%*
	DTC	**520.7**	448.0	*16%*	*11%*
	Wholesale[3]	**479.6**	460.3	*4%*	*-3%*
		1,000.3	908.3	*10%*	*4%*
Gross margin		**618.1**	578.8	*7%*	
EBITDA[1]		**245.0**	263.0	*-7%*	
Profit before tax		**159.4**	214.3	*-26%*	
Earnings per share (p)		**12.9**	18.1	*-29%*	
Dividend per share (p)		**5.84**	5.50	*6%*	
Key statistics	*Pairs sold (m)*	***13.8***	*14.1*	*-2%*	
	No. of stores[2]	***204***	*158*	*29%*	
	DTC mix %	***52%***	*49%*	*+3pts*	
	Gross margin %	***61.8%***	*63.7%*	*-1.9pts*	
	EBITDA margin %[1]	***24.5%***	*29.0%*	*-4.5pts*	

1. EBITDA – Earnings before exchange gains/losses, finance income/expense, income tax, depreciation, amortisation and impairment.
2. Own stores on streets and malls operated under arm's length leasehold arrangements.
3. Wholesale revenue including distributor customers.
4. Constant currency applies the same exchange rate to the FY23 and FY22 non-GBP results, based on FY23 budgeted rates.
5. APMs are used as we believe they provide additional useful information on underlying trends.

Total revenue grew by 10% to £1,000.3m (FY22: £908.3m) and was up 4% on a Constant Currency (CC) basis. Growth was led by DTC which was up 16% to £520.7m (FY22: £448.0m), up 11% on a CC basis. Volume (measured by pairs) was down 2% and reduced revenue by 3%. We made the strategic decision to cease supply to distributors in S. America and China, excluding these volumes (0.6m pairs), FY23 volume was up 2%. This was part offset by aggregate price increases of 5% and DTC mix expansion of 3%pts to 52%. The strong DTC trading was driven predominantly by retail which grew 30% (25% CC) from both underlying traffic growth and increased revenue from investment in new space (both new and maturing stores) with ecommerce up 6% (1% CC). Wholesale was up 4% to £479.6m (down 3% CC) and was impacted primarily by lower wholesale shipments in America and cessation of supply to a China distributor prior to the non-renewal of that contract.

Ecommerce revenue was up 6% to £279.0m (FY22: £262.4m) and was up 1% on a CC basis which represented a revenue mix of 28%, down 1%pt vs FY22. Growth strengthened through H2 in EMEA and Japan but was offset by continued soft trading in America particularly in H2. During the year, we implemented an order management system in EMEA giving us the platform to trial, an omnichannel offer of 'click and collect', 'return to store' and 'in-store inventory lookup' functionality. This trial is underway and, if successful, will be rolled out across the UK and subsequently globally. As part of our omnichannel strategy, we now plan to begin work on a Customer Data Platform (CDP) in FY24 to ensure we understand all our customers no matter how they interact with the Brand.

Retail had an impressive year with revenue up 30% to £241.7m (FY22: £185.6m), growing 25% on a CC basis. Underlying growth was led by continued post Covid-19 traffic recovery (although traffic remains meaningfully below FY20 levels in all our markets) together with increased revenue from more retail space. During February, we successfully converted 14 franchise stores in Japan to own stores and, including these converted stores, have opened 52 new stores and closed six stores to end the year with 204 own stores. Across the year, the average store profitability metric of '4-Wall Return on Sales' (which is inclusive of rent) was 37%.

Wholesale revenue was up 4% to £479.6m (FY22: £460.3m), down 3% on a CC basis. Wholesale revenues were impacted by the LA DC shipment bottleneck in Q4 (which limited our capacity to pick, pack and ship wholesale orders) in America and also in China from our decision to not renew the distributor contract, resulting in the cessation of shipments to that distributor in H2.

Gross margin decreased by 1.9%pts to 61.8% (FY22: 63.7%). The dilution in margin was mainly due to higher cost of goods sold ('COGS') which increased by 18% per pair to £27.7 (FY22: £23.4) and cost 4.0%pts of margin. Of this increase, underlying inflation of 6% cost approximately 2.1%pts of margin, increased costs of containers relating to the LA DC bottleneck cost approximately 0.7%pts of margin with the balance mainly increased cost of purchasing product denominated in USD for EMEA and Japan. Price increases in the year (of 5%) improved margins by 1.7%pts. The lower than inflation price increase was all due to a lower benefit from price increases in America on the overall Group than planned, due to the softer than expected performance in that market.

Operating expenses increased by 18% to £373.1m (FY22: £315.8m) with the increase explained as follows:

	% Increase YoY
Retail stores[1]	7%
DC's[1,2]	7%
Marketing[3]	2%
Other investments	2%
	18%

1. Increase is mainly the annualisation of prior year new store openings and current year new store openings.
2. Including c.£7.9m of cost in relation to LA DC bottleneck, see below.
3. Increase of 0.4%pts.

The total costs associated with LA DC were approximately £14.5m and were represented by costs of containers and additional late collection from port fees of £6.6m (included in COGS), property related costs from three satellite warehouse locations of £3.7m and handling costs from implementing a third shift, increased volume movements between warehouses and under recovery of fixed costs of the main facility (due to operating below optimal capacity) of £4.2m. We have now fixed the operational issues at the LA DC and we are on track to have the expansion and reconfiguration of the New Jersey DC (to allow full product availability for all channels from both East and West Coasts) for AW23 shipments. Learning from the operational issues of our LA DC will result in further targeted investments across the new financial year and beyond as we improve our operational resilience to support the growth and scale of the Business.

EBITDA decreased by 7% to £245.0m (FY22: £263.0m) resulting in EBITDA margin decline of 4.5%pts to 24.5% explained as follows:

	% pts YoY
Price net inflation	-0.5
Net new space[1]	-0.4
Marketing spend	-0.4
DC expansion[2]	-1.0
Other investments[3]	-0.7
LA DC bottleneck	-1.5
	-4.5

1. Incremental OPEX from new stores net gross margin benefit from space. During the year we opened net 46 new stores compared to 23 in the prior year. In the year of opening, a store takes approximately six months to break even EBITDA, as a result a doubling of store opening increases the cost base faster than revenue in the year of the store opening before positive returns are generated, broadly in year two.
2. During the year we invested in much larger 3PL DCs in Netherlands, UK and LA.
3. Represented by investment in underlying, infrastructure, IT and people.

Analysis by half year
Revenue in H2 grew 8% to £581.7m (FY22: £538.4m) (up 2% CC) with EBITDA down 10% to £156.2m (FY22: £174.2m).

		First half				Second half			
		FY23	FY22	*% change Actual*	*% change CC*	**FY23**	FY22	*% change Actual*	*% change CC*
Ecommerce		**88.8**	82.6	*8%*	*1%*	**190.2**	179.8	*6%*	-
Retail		**91.0**	65.9	*38%*	*33%*	**150.7**	119.7	*26%*	*20%*
DTC		**179.8**	148.5	*21%*	*15%*	**340.9**	299.5	*14%*	*8%*
Wholesale[3]		**238.8**	221.4	*8%*	*1%*	**240.8**	238.9	*1%*	*-6%*
Revenue		**418.6**	369.9	*13%*	*7%*	**581.7**	538.4	*8%*	*2%*
Gross margin		**257.8**	226.6	*14%*		**360.3**	352.2	*2%*	
Opex		**(169.0)**	(137.8)	*-23%*		**(204.1)**	(178.0)	*-15%*	
EBITDA[1]		**88.8**	88.8	-		**156.2**	174.2	*-10%*	
Profit before tax		**57.9**	61.3	*-5%*		**101.5**	153.0	*-34%*	
Key statistics	*Pairs sold (m)*	***6.3***	*6.3*	*-*		***7.5***	*7.8*	*-4%*	
	No. of stores opened[2]	***21***	*13*	*+8*		***25***	*10*	*+14*	
	DTC mix %	***43%***	*40%*	*+3pts*		***59%***	*56%*	*+3pts*	
	Gross margin %	***61.6%***	*61.3%*	*+0.3pts*		***61.9%***	*65.4%*	*-3.5pts*	
	EBITDA[1] %	***21.2%***	*24.0%*	*-2.8pts*		***26.9%***	*32.4%*	*-5.5pts*	

1. EBITDA – Earnings before exchange gains/losses, finance income/expense, income tax, depreciation, amortisation and impairment.
2. Net own stores on streets and malls operated under arm's length leasehold arrangements.
3. Wholesale revenue including distributor customers.

The Group typically generates approximately 60% of total revenue in the second half reflecting the peak Q3 DTC trading period and, as a result of the stronger gross margin structure of DTC compared to wholesale, EBITDA margins are higher in the second half of the year. In the second half, DTC revenue mix was +3%pts resulting in second half EBITDA margin of 26.9%, 5.7%pts higher than first half. H2 EBITDA margin was impacted by 2.5%pts due to costs associated with the LA DC bottleneck. The following table explains the year-on-year movement by half:

	DTC mix			EBITDA[1] % margin		
	FY23	FY22	FY21	FY23	FY22	FY21
First half	43%	40%	34%	21.2%	24.0%	27.1%
Second half	59%	56%	50%	26.9%	32.4%	30.0%
FY	**52%**	**49%**	**43%**	**24.5%**	**29.0%**	**28.8%**
H2 v H1	+16pts	*+16pts*	*+16pts*	*+5.7pts*	*+8.4pts*	*+2.9pts*

1. EBITDA – Earnings before exchange gains/losses, finance income/expense, income tax, depreciation, amortisation and impairment.

Exchange
The profit and loss figures are prepared on an average actual currency basis for the year. These exchange rates are calculated monthly and applied to revenue and profits generated in that month, such that the actual figures translated across the year are dependent upon monthly trading profiles as well as exchange movement. In addition, all distributor revenues are invoiced in US$. To aid comparability of underlying performance, we have also calculated constant currency performance for revenue. This is calculated by translating non-UK revenues at the same exchange rate year on year.

We have a natural GBP/Euro vs USD hedge. The UK is our second largest market after the US but only represents 18% of global revenues. Due to our balanced global trading footprint with 43% of revenues in America and 27% in Continental Europe, we have a strong natural hedge which protects group EBITDA should the USD strengthen against GBP and Euro. Approximately 95% of COGS purchases are paid in USD such that an appreciation of USD compared to GBP and Euro leads to higher purchase costs in EMEA but is broadly offset by a corresponding translation benefit from US derived cash flows, such that US revenue and EBITDA is higher and funds lower EMEA EBITDA. This hedge effect also operates should the USD depreciate against GBP/Euro.

To reduce the exposure of exchange movements, the Group has a policy of hedging non-uk currency denominated transactions by using derivative financial instruments. The principal derivative instruments used are forward exchange contracts to hedge highly probable cash flows in relation to future sales.

The major exchange rates that impact the Group are £/$, £/€ and £/¥. The following table summarises average exchange rates used in the year:

	£/$			£/€			£/¥		
	FY23	FY22	%	**FY23**	FY22	%	**FY23**	FY22	%
H1	**1.22**	1.39	*(12%)*	**1.17**	1.17	-	**163**	152	*7%*
H2	**1.19**	1.34	*(11%)*	**1.14**	1.19	*-4%*	**163**	154	*6%*
FY	**1.21**	1.37	*(12%)*	**1.16**	1.18	*-2%*	**163**	153	*7%*

Region analysis
The results can be further analysed by region as follows:

£m		**FY23**	FY22	*% change Actual*	*% change CC*
Revenue:	EMEA	**443.0**	398.5	*11%*	*10%*
	America	**428.2**	382.7	*12%*	*-1%*
	APAC	**129.1**	127.1	*2%*	*-1%*
		1,000.3	908.3	*10%*	*4%*
EBITDA[1]:	EMEA	**146.1**	143.8	*2%*	
	America	**100.1**	120.0	*-17%*	
	APAC	**33.8**	32.6	*4%*	
	Support costs[2]	**(35.0)**	(33.4)	*-5%*	
		245.0	263.0	*-7%*	
EBITDA[1] margin by region:	EMEA	***33.0%***	*36.1%*	*-3.1pts*	
	America	***23.4%***	*31.4%*	*-8.0pts*	
	APAC	***26.2%***	*25.6%*	*+0.6pts*	
	Total	***24.5%***	*29.0%*	*-4.5pts*	

1. EBITDA – Earnings before exchange gains/losses, finance income/expense, income tax, depreciation, amortisation and impairment.
2. Support costs represent group related support costs not directly attributable to each regions operations and including Group Finance, Legal, Group HR, Global Brand and Design, Directors and other group only related costs and expenses.

EMEA

Revenue grew by 11% to £443.0m (FY22: £398.5m) and was up 10% on a CC basis. The revenue growth was driven by strong DTC trading which grew 20% with very strong retail growth and good ecommerce growth. Wholesale was marginally up. DTC mix expanded by 4%pts with material increases in Germany (up 8%pts), Italy (up 11%pts) and France (up 5%pts). The UK grew revenue by 12%.

During the year we opened 13 new stores including three stores in Italy, three stores in Spain, two stores in France, two stores in Germany, two stores in UK and one store in Ireland. Included in the new store openings were three stores that were closed and relocated to more prominent positions in Dublin, London and Glasgow.

EBITDA was up 2% to £146.1m (FY22: £143.8m), with margin dilution mainly due to infrastructure investments in an OMS system, Omnichannel trial and annualization of prior year investments in relation to the conversion of Italy and Spain to subsidiary markets**.** EMEA margins were also negatively impacted by exchange on goods purchased in USD. At a Group level this is offset by the natural USD hedge we have due to America trading and associated cash flows.

America

Trading was disappointing and was due to a combination of a challenging consumer environment coupled with poor execution of the DOCS strategy. Revenue grew by 12% to £428.2m (FY22: £382.7m) but was down 1% on a CC basis. DTC was very strong in Q1 but trading weakened from Q2 and through H2. On a CC basis, DTC was up 2% in the year and was driven by new retail space. Traffic recovery stalled through H2 in retail with ecommerce trading variable and soft. Wholesale shipments were impacted negatively by the LA DC bottleneck (see earlier comments). In the year DTC mix improved 1%pt.

During the year we opened 14 new stores, double the prior year (FY22: seven stores) including four in Texas and three in LA.

EBITDA was 17% lower at £100.1m (FY22: £120.0m) mainly due to costs in relation to the LA DC issue (£14.5m), higher marketing spend and annualization cost of current year new store openings being double the prior year.

APAC

Revenue grew by 2% to £129.1m (FY22: £127.1m) and was down 1% CC basis. Regional performance was impacted by lower revenue in China due to our decision to fully implement the DOCS strategy (focused around Shanghai) and therefore the decision not to renew the legacy distribution agreement, resulting in a cessation of supply and reduced revenue by £8.9m. We have begun to see a recovery in trading in China through Q4, which has steadily built momentum, however in the financial year this strength did not offset zero revenue in Q1 due to the Covid-19 lockdown in Shanghai. Excluding the China distributor reduction, revenue grew 9%.

Japan, our third largest market, grew by 13% CC basis, driven by very strong DTC trading, up 26%, expanding DTC mix by 7%pts. Through February, we successfully completed the transfer of 14 franchise stores to own stores (located in Tokyo and Osaka) to end the year with 40 stores. It is estimated Japan will have a DTC mix of around 80% following this transfer in FY24.

EBITDA was up 4% to £33.8m (FY22: £32.6m) and EBITDA margin up 0.6%pts driven by good growth from Japan which has a superior margin structure to the APAC average.

Support costs

Group support costs were up 5% to £35.0m (FY22: £33.4m).

Retail development

During the year, we opened 52 (FY22: 24) new own retail stores (via arm's length leasehold arrangements) and closed six stores as follows:

		31 March 2022	Opened	Closed	31 March 2023
EMEA:	UK	35	2	(4)	**33**
	Germany	15	2	-	**17**
	France	14	2	-	**16**
	Italy	3	3	-	**6**
	Spain	1	3	-	**4**
	Other	12	1	(1)	**12**
		80	13	(5)	**88**
America:		41	14	(1)	**54**
APAC:	Japan	22	18	-	**40**
	China	2	3	-	**5**
	South Korea	7	4	-	**11**
	Hong Kong	6	-	-	**6**
		37	25	-	**62**
Total		158	52	(6)	**204**

At the year end the Group also traded from 28 (FY22: 37) concession counters in department stores in South Korea and a further 119 mono-branded franchise stores around the world with 55 in China (FY22: 87), 16 in Japan (FY22: 31), 20 across Australia and New Zealand (FY22: 18), 21 across other South East Asia countries and the balance in the Nordics and Canada.

Leases

The Group operates its own retail stores via arm's length leasehold arrangements (apart from one property which is freehold) and also leases one warehouse (in the UK) and its offices. At 31 March 2023, the average lease term remaining across all property related leases to end of term was 5.1 years (FY22: 5.1 years), and only 3.0 years (FY22: 3.4 years) to tenant only break. The annual rent commitment was £34.3m (FY22: £24.9m) and undiscounted total lease commitment was £173.5m (FY22: £127.3m), reducing to £102.8m (FY22: £84.6m) to lease break.

At 31 March 2023 the Group has right-of-use ('ROU') assets of £144.1m (FY22: £105.5m) and lease liabilities of £152.4m (FY22: £112.9m).

As described in the Viability and Going Concern statements, we reviewed all stores for impairment and concluded four stores had future cash flows lower than the ROU asset and accordingly expensed a £3.9m (including £0.6m impairment charge for property, plant and equipment) impairment charge. The majority of the charge relates to three stores in America where footfall recovery, in their locality, was weak.

Earnings
The following table analyses the results for the year from EBITDA to profit before tax.

£m	FY23	FY22
EBITDA[1]	**245.0**	**263.0**
Depreciation and amortisation	**(54.2)**	(36.9)
Impairment	**(3.9)**	-
Exchange (losses)/gains	**(10.7)**	3.2
Net interest cost on bank debt	**(10.8)**	(10.3)
Amortisation of loan issue costs/interest on lease liabilities	**(6.0)**	(4.7)
Profit before tax	**159.4**	**214.3**
Tax	**(30.5)**	(33.1)
Earnings	**128.9**	**181.2**

1. EBITDA – Earnings before exchange gains/losses, finance income/expense, income tax, depreciation, amortisation and impairment.

Profit before tax declined by 26% to £159.4m (FY22: £214.3m) with profit after tax of £128.9m (FY22: £181.2m).

Depreciation and amortisation charged in the year was £54.2m, compared to £36.9m in FY22, and is analysed as follows:

£m	FY23	FY22
Amortisation of intangibles[1]	**8.4**	4.7
Depreciation of plant and equipment[2]	**13.6**	9.5
	22.0	14.2
Depreciation of right-of-use assets[3]	**32.2**	22.5
Total	**54.2**	**36.7**

1. Mainly represented by IT related spend with the average term of 3 to 7 years.
2. Mainly represented by new store fit out costs with the average term of 5 years.
3. Mainly represented by depreciation of IFRS 16 capitalised leases with the average term of 5.1 years and 229 properties (FY22: 7.5 years and 182 properties).

In the year we recognised an exchange loss of £10.7m (FY22: gain £3.2m) which was predominantly due to the revaluation of Euro denominated bank debt and working capital.

The Group's net interest cost on bank debt was £10.8m (FY22: £10.3m). The increase of £0.5m compared to the prior year was mainly higher interest costs on bank debt of £2.3m with average interest rate of 3.6% (FY22: 2.8%). This was offset by a £1.8m gain on higher interest receivables from cash investments. In addition, we incurred higher interest costs on lease liabilities of £1.3m due to new stores opened in the year.

The tax charge was £30.5m (FY22: £33.1m) with an effective tax rate of 19.1% which is slightly higher than the UK corporate tax rate of 19.0%, due mainly to non-UK tax rates and deferred tax on temporary differences.

	FY23	FY22
UK effective tax rate	**19.0%**	**19.0%**
Non-UK tax rate differences	+0.5%	+0.5pts
Deferred tax on temporary differences	-0.4%	-
Before prior year adjustments	**19.1%**	**19.5%**
Prior year adjustments	-	-4.1%
Reported tax rate	**19.1%**	**15.4%**

We make a significant contribution to the public finances in all our markets and take seriously our responsibility to the wider society through the payment of taxes and other government revenue-raising mechanisms. In FY23, this totalled £171.1m (FY22: £138.4m), an increase of 24%.

Earnings per share was 12.9p (FY22: 18.1p). The total number of diluted shares is detailed in note 10 in the financial statements. The following table summarises these EPS figures:

		FY23 pence	FY22 pence	*% change*
Earnings per share	Basic	**12.9**	18.1	*-29%*
	Diluted	**12.9**	18.1	*-29%*

EPS and diluted EPS for the current and prior year are presented as the same amount due to the minimal dilutive impact of share options on the total diluted share number.

Operating cash flow
Operating cash flow is summarised below:

£m	FY23	FY22
EBITDA[1]	**245.0**	263.0
Increase in inventories	**(133.2)**	(18.3)
Increase in debtors	**(6.6)**	(23.3)
(Increase)/decrease in creditors	**(5.6)**	11.7
Total change in net working capital	**(145.4)**	(29.9)
Capital expenditure	**(51.2)**	(25.0)
Operating cash flow[2]	**48.4**	208.1
Operating cash conversion[2]	*20%*	*79%*

1. EBITDA – Earnings before exchange gains/losses, finance income/expense, income tax, depreciation, amortisation and impairment.
2. Alternative Performance Measures as defined in the Glossary on pages 81 and 82.

Operating cash inflow was £48.4m (FY22: £208.1m) representing a cash conversion of EBITDA of 20% (FY22: 79%).

The principal driver of lower cash generation was increased inventory due in part to our decision to increase inventory ahead of peak trading to improve availability, primarily in America and Japan (which were both weak in prior year due to COVID related supply restrictions), and was compounded by softer than planned DTC trading in America and the LA DC issue which impacted wholesale shipments. The vast majority of the inventory is continuity in nature with minimal markdown risk and we plan to right size inventory through FY24 by purchasing a lower amount than we plan to sell, such that inventory is broadly right sized by March 2024 year end date. The impact of this will be a material cash inflow through FY24, predominantly in H2.

Trade debtor days increased from 42 days to 52 days and was due primarily to customer mix with a higher proportion of EMEA debtors (with payment terms closer to 60 days) than America (with payment terms closer to 30 days).

Capex was £51.2m (FY22: £25.0m) and represented 5.1% of revenue (FY22: 2.8%) and was higher than the prior year due mainly to retail store openings (opened 52 in FY23 vs 24 in FY22), racking fit out costs in two new distribution centres and IT/Tech spend as follows:

£m	FY23	FY22
Retail stores	**18.9**	8.7
Supply Chain	**19.2**	6.3
IT/Tech	**13.1**	10.0
	51.2	25.0

Net cash flow after interest
Net cash flow after interest costs is summarised below:

£m	FY23	FY22
Operating cash flow[1]	**48.4**	208.1
Net interest paid	**(5.6)**	(10.8)
Investment	**(1.0)**	-
Payment of lease liabilities	**(33.9)**	(24.0)
Taxation	**(22.3)**	(41.2)
Exceptional items[2]	**-**	(7.5)
Dividends paid	**(58.4)**	(12.2)
Net cash outflow	**(72.8)**	112.4
Opening cash	**228.0**	113.6
Net cash exchange translation	**2.3**	2.0
Closing cash	**157.5**	228.0

1. Operating cash flow and free cash flow are Alternative Performance Measures defined in the Glossary on pages 81 and 82.
2. All exceptional items paid were in relation to the IPO and refinancing event.

Net interest paid was £5.6m, lower than FY22 by £5.2m due to the timing of interest payments on the debt partially offset by an increase in interest received from cash investments.

On 16 January 2023, as part of our sustainability strategy, we made an investment of £1.0m in the share capital of Generation Phoenix Ltd (GP), a company that specialises in recycled leather products using part processed offcuts. The investment is equivalent to 3.35% of the share capital of GP and will help drive our sustainability strategy.

The increase in lease liabilities was due mainly to increased number of retail stores opened in the year under lease arrangements.

Tax paid was £22.3m compared to £41.2m in FY22 due to lower taxable profits and timing of payments made on account in multiple jurisdictions.

At 31 March 2023 the Group had cash of £157.5m compared to cash at 31 March 2022 of £228.0m.

Funding and Leverage

The Group is funded by cash, bank debt and equity. Further details on the capital structure and debt are given in note 18 of the financial statements. The Group's bank debt is denominated in Euros to reflect the excess Euros the Group generates from trading in Continental Europe to fund interest costs (with USD revenue generated broadly funding USD purchase of inventory and GBP generated broadly funding GBP related costs). The bank debt falls due for repayment in full on 2 February 2026. The Group also has a revolving credit facility of £200.0m which also expires on 2 February 2026 with £3.7m utilised in relation to certain guarantee arrangements. Bank debt at the 31 March 2023 was £296.8m compared to £285.6m at 31 March 2022 with the difference all exchange of £/€ at the balance sheet date (£1: €1.14 at March 23 compared to £1: €1.19 at March 22).

The group financing arrangements have a total net leverage covenant test every six months. The total net leverage test is calculated with a full 12 months of EBITDA[1] and net debt being inclusive of IFRS 16 lease liabilities at the balance sheet date. At 31 March 2023 the Group had total net leverage of 1.2 times (31 March 2022: 0.7x) giving us significant headroom against our covenant test. If this test was calculated using average cash throughout the year, (reflecting the Groups intra-year cash swing) average gearing would be approximately 1.1x.

Pensions

Dr Martens Airwair Group Limited and Airwair International Limited (subsidiaries of the Group), operate a defined benefit pension scheme in the UK, which was closed to new members in 2002, and provides both pensions in retirement and death benefits to members. At the most recent triennial valuation date (June 2022), on an actuarial funding valuation basis as agreed with the Trustees, the scheme had assets with a value of £55.4m and estimated future liabilities (technical provisions) of £48.5m, resulting in a surplus of £6.9m.

A detailed description of all pension commitments, including the IAS 19 accounting valuation (which is prepared on a different valuation basis of liabilities to the actuarial funding valuation basis, the latter being used to agree with the pension trustees whether cash contributions are or are not required to be made and the former being purely for accounting purposes), is given in note 29 to the accounts. The surplus under the scheme is not recognised as an asset benefitting the Group on the balance sheet on the basis that the Group is unlikely to derive any economic benefits from that surplus. At 31 March 2023, the scheme has assets of £49.5m (31 March 2022: £68.6m).

The Group also operates a defined contribution scheme for its employees and during the year the Group contributions to this scheme were £4.7m (FY22: £6.0m). At 31 March 2023, this scheme had assets of £23.3m (31 March 2022: £20.4m).

Balance sheet

The balance sheet is summarised below:

£m	**31 March 2023**	31 March 2022
Freehold property	**7.4**	6.1
Right-of-use assets	**144.1**	105.5
Other fixed assets	**78.8**	53.6
Inventory	**257.8**	123.0
Debtors	**92.2**	86.0
Creditors[2]	**(133.7)**	(134.7)
Working capital	**216.3**	74.3
Other[1]	**5.2**	13.8
Operating net assets	**451.8**	253.3
Goodwill	**240.7**	240.7
Cash	**157.5**	228.0
Bank debt	**(296.8)**	(285.6)
Unamortised bank fees	**3.4**	4.7
Lease liabilities	**(152.4)**	(112.9)
Net assets	**404.2**	**328.2**

1. Other includes investments, deferred tax assets, income tax assets and provisions.
2. Include bank interest of £6.0m (FY22: £0.8m).

Net financing is summarised below:

£m	31 March 2023	31 March 2022
Bank debt	**(296.8)**	(285.6)
Cash	**157.5**	228.0
Net bank debt	**(139.3)**	(57.6)
Lease liabilities	**(152.4)**	(112.9)
Net financing	**(291.7)**	170.5

Inventory
Given the high proportion of continuity products we sell and strong product margin structure, we have minimal mark down risk below cost. Inventory levels are higher than optimal at March 2023 (and reflected our decisions to restock in America and Japan due to Covid-19 related supply constraints in prior year, which meant inventory levels were too low at March 2022). We plan to right size inventory through the year and have a more optimal level of inventory to support demand by March 2024. Due to the lead time lengths, the majority of the inventory right sizing will be achieved through H2 as we purchase less than we plan to sell.

This is summarised below:

	31 March 2023	31 March 2022
Inventory (£m)	**257.8**	123.0
Turn (x)[1]	**1.5x**	2.7x
Weeks cover[2]	**35**	19

1. Calculated as historic LTM COGs divided by inventory.
2. Calculated as 52 weeks divided by stock turn.

Equity of £404.2m can be analysed as follows:

£m	31 March 2023	31 March 2022
Share capital	**10.0**	10.0
Hedging reserve	**(0.5)**	(0.1)
Merger reserve	**(1,400.0)**	(1,400.0)
Non-UK translation reserve	**12.5**	7.0
Retained earnings	**1,782.2**	1,711.3
Equity	**404.2**	**328.2**

Dr. Martens plc (the Company) has distributable reserves of £1,377.5m.

Returns to Shareholders
Our capital allocation philosophy guides our view of returns to shareholders and usage of excess cash. The first priority for investment is into the business and we will continue to invest in a targeted manner to support long term growth and resilience of the Group. This is mainly represented by investment into marketing, logistics people and systems. Beyond this, our priority is to return excess cash to shareholders, through a regular dividend and, when possible, further returns.

The Board recognises, and is confident, that the strong year end cash position, and significant cash generation expected during H2 of FY24 from purchasing less inventory than we plan to sell, coupled with future growth, will normalise both the dividend payout ratio towards 35% of earnings and the excess cash ratio (represented by average leverage) towards less than one times over time. As a result, the Board has approved, and the Group has proposed, the following distributions which are both subject to approval at the AGM on 13 July 2023.

(i) Dividends

A final dividend of 4.28p per share (FY22: 4.28p). This will bring the total interim and final dividend for FY23 to £58.4m (5.84p), and represents an increase of 6% vs FY22, with a payout ratio of 45%. The dividend will be paid to shareholders on the register as at 9 June 2023 with payment on 18 July 2023.

£m	**FY23**	FY22
Earnings	**128.9**	181.2
Interim dividend (declared and paid): 1.56p (FY22: 1.22p)	**15.6**	12.2
Final dividend (proposed): 4.28p (FY22: 4.28p)	**42.8**	42.8
Total dividend (paid and proposed): 5.84p (FY22: 5.50p)	**58.4**	**55.0**
Payout ratio %	**45%**	**30%**

(ii) Share Buyback

A share buyback programme of up to £50.0m, to commence following shareholder approval.

Consolidated Statement of Profit or Loss

For the year ended 31 March 2023

	Note	Total FY23 £m	Total FY22 £m
Revenue	3	**1,000.3**	908.3
Cost of sales		**(382.2)**	(329.5)
Gross profit		**618.1**	578.8
Selling and administrative expenses	4	**(441.9)**	(349.5)
Finance income		**1.9**	0.1
Finance expense	8	**(18.7)**	(15.1)
Profit before tax		**159.4**	214.3
EBITDA[1]	3	**245.0**	263.0
Depreciation and amortisation[2]	4	**(54.2)**	(36.7)
Impairment	4	**(3.9)**	(0.2)
Exchange (losses)/gains[2]		**(10.7)**	3.2
Finance income		**1.9**	0.1
Finance expense	8	**(18.7)**	(15.1)
Profit before tax		**159.4**	214.3
Tax expense	9	**(30.5)**	(33.1)
Profit for the year		**128.9**	181.2

	Note	FY23	FY22
Earnings per share			
Basic	10	**12.9p**	18.1p
Diluted	10	**12.9p**	18.1p

1. Alternative Performance Measure 'APM' as defined in the Glossary on pages 81 and 82.
2. Exchange (losses)/gains were combined with depreciation and amortisation in FY22.

The results for the years presented above are derived from continuing operations and are entirely attributable to the owners of the Parent Company.

The notes on pages 24 to 70 form part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2023

	Note	Total FY23 £m	Total FY22 £m
Profit for the year		**128.9**	181.2
Other comprehensive income/(expense)			
Items that may subsequently be reclassified to profit or loss			
Currency translation differences		**5.5**	4.3
Cashflow hedges		**(0.6)**	-
Tax in relation to cashflow hedges		**0.2**	-
		5.1	4.3
Total comprehensive income for the year		**134.0**	185.5

The notes on pages 24 to 70 form part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 March 2023

	Note	Total FY23 £m	Total FY22 £m
Non-current assets			
Intangible assets	12	**265.6**	262.1
Property, plant and equipment	13	**61.3**	38.3
Right-of-use assets	13	**144.1**	105.5
Investments	21	**1.0**	-
Deferred tax assets	23	**11.8**	9.6
		483.8	415.5
Current assets			
Inventories	14	**257.8**	123.0
Trade and other receivables	15	**93.0**	85.6
Income tax assets		**-**	6.1
Derivative financial assets	20	**0.5**	0.9
Cash and cash equivalents	16	**157.5**	228.0
		508.8	443.6
Total assets		**992.6**	859.1
Current liabilities			
Trade and other payables[1]	17	**(127.7)**	(133.9)
Bank interest[1]	18	**(6.0)**	(0.8)
Lease liabilities	18	**(28.1)**	(19.8)
Derivative financial liabilities	20	**(1.3)**	(0.5)
Income tax payable		**(1.4)**	-
		(164.5)	(155.0)
Non-current liabilities			
Borrowings[2]	18	**(293.4)**	(280.9)
Lease liabilities	18	**(124.3)**	(93.1)
Provisions	19	**(4.4)**	(1.9)
Deferred tax liabilities	23	**(1.8)**	-
		(423.9)	(375.9)
Total liabilities		**(588.4)**	(530.9)
Net assets		**404.2**	328.2
Equity attributable to the owners of the parent			
Share capital	24	**10.0**	10.0
Hedging reserve	25	**(0.5)**	(0.1)
Capital reserve – own shares	25	**-**	-
Capital redemption reserve	25	**-**	-
Merger reserve	25	**(1,400.0)**	(1,400.0)
Non-UK translation reserve	25	**12.5**	7.0
Retained earnings	25	**1,782.2**	1,711.3
Total equity		**404.2**	328.2

1. Bank interest was previously included within trade and other payables
2. Included in bank debt is £3.4m (FY22: £4.7m) of unamortised bank fees

The notes on pages 24 to 70 form part of these consolidated financial statements.

The consolidated financial statements on pages 19 to 70 were approved and authorised by the Board of Directors on 31 May 2023 and signed on its behalf by:

Kenny Wilson
Chief Executive Officer

Jon Mortimore
Chief Financial Officer

Consolidated Statement of Changes in Equity

For the year ended 31 March 2023

	Note	Share capital £m	Hedging reserve £m	Capital reserve – own shares £m	Capital redemption reserve £m	Merger reserve £m	Non-UK translation reserve £m	Retained earnings[1] £m	Total equity £m
At 1 April 2021		**10.0**	**(0.1)**	**-**	**-**	**(1,400.0)**	**2.7**	**1,537.1**	**149.7**
Comprehensive income				-	-				
Profit for the year		-	-	-	-	-	-	181.2	**181.2**
Other comprehensive income		-	-	-	-	-	4.3	-	**4.3**
Total comprehensive income for the year		-	-	-	-	-	4.3	181.2	**185.5**
Dividends paid	11	-	-	-	-	-	-	(12.2)	**(12.2)**
Shares issued	24	-	-	-	-	-	-	-	**-**
Share-based payments	26	-	-	-	-	-	-	5.2	**5.2**
At 31 March 2022		**10.0**	**(0.1)**	**-**	**-**	**(1,400.0)**	**7.0**	**1,711.3**	**328.2**
Comprehensive income									
Profit for the year		-	-	-	-	-	-	128.9	**128.9**
Other comprehensive income		-	(0.4)	-	-	-	5.5	-	**5.1**
Total comprehensive income for the year		-	(0.4)	-	-	-	5.5	128.9	**134.0**
Dividends paid	11	-	-	-	-	-	-	(58.4)	**(58.4)**
Shares issued	24	-	-	-	-	-	-	-	**-**
Share-based payments	26	-	-	-	-	-	-	0.4	**0.4**
At 31 March 2023		**10.0**	**(0.5)**	**-**	**-**	**(1,400.0)**	**12.5**	**1,782.2**	**404.2**

1. Included within retained earnings Dr. Martens plc (the Company) has distributable reserves of £1,377.5m (FY22: £1,389.8m).

The notes on pages 24 to 70 form part of these consolidated financial statements.

Consolidated Statement of Cash flows

For the year ended 31 March 2023

	Note	Total FY23 £m	Total FY22 £m
Profit after taxation		**128.9**	181.2
Add back: income tax expense		**30.5**	33.1
Add back: finance expense		**16.8**	15.0
Add back: depreciation, amortisation and impairment		**58.1**	36.9
Add back: net exchange rate losses/(gains)		**10.7**	(3.2)
Add back: share-based payments charge	26	**0.5**	5.2
Increase in inventories		**(133.2)**	(18.3)
Increase in trade and other receivables		**(6.6)**	(23.3)
Decrease in trade and other payables		**(6.1)**	(1.0)
Change in net working capital[3]		**(145.9)**	(42.6)
Cash flows from operating activities			
Cash generated from operations		**99.6**	225.6
Taxation paid		**(22.3)**	(41.2)
Cash generated from operating activities		**77.3**	184.4
Cash flows from investing activities			
Additions to intangible assets	12	**(11.8)**	(9.5)
Additions to property, plant and equipment	13	**(39.6)**	(15.5)
Finance income received		**1.6**	-
Capital contributions received for right-of-use assets		**0.2**	-
Purchase of equity investment	21	**(1.0)**	-
Cash used in investing activities		**(50.6)**	(25.0)
Cash flows from financing activities			
Finance expense paid		**(7.2)**	(10.8)
Payment of lease interest[2]	28	**(4.8)**	(3.5)
Payment of lease liabilities[2]	28	**(29.1)**	(20.5)
Dividends paid	11	**(58.4)**	(12.2)
Cash used in financing activities		**(99.5)**	(47.0)
Net (decrease)/increase in cash and cash equivalents		**(72.8)**	112.4
Cash and cash equivalents at beginning of year		**228.0**	113.6
Effect of exchange on cash held		**2.3**	2.0
Cash and cash equivalents at end of year	16	**157.5**	228.0

The notes on pages 24 to 70 form part of these consolidated financial statements.

Consolidated Non-GAAP Statement of Cash flows

	Note	FY23 £m	FY22 £m
EBITDA[1]		**245.0**	263.0
Change in net working capital[3]		**(145.4)**	(29.9)
Capital expenditure		**(51.2)**	(25.0)
Operating cashflow[1]		**48.4**	208.1
Net interest paid		**(5.6)**	(10.8)
Payment of lease liabilities	28	**(33.9)**	(24.0)
Taxation		**(22.3)**	(41.2)
Purchase of equity investment	21	**(1.0)**	-
Exceptional items[4]		**-**	(7.5)
Dividends paid	11	**(58.4)**	(12.2)
Net cashflow		**(72.8)**	112.4
Opening cash	16	**228.0**	113.6
Net cash exchange		**2.3**	2.0
Cash and cash equivalents at end of year	16	**157.5**	228.0

1. Alternative Performance Measures as defined in the Glossary on pages 81 and 82.
2. Payment of lease interest was previously disclosed within payment of lease liabilities.
3. The difference in working capital movements between the two cashflow statements relates to share-based payments, capital contributions received and exceptional items.
4. All exceptional items paid were in relation to the IPO and refinancing event.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

1. **General information**

Dr. Martens plc (the 'Company') is a public company limited by shares incorporated in the United Kingdom, and registered and domiciled in England and Wales, whose shares are traded on the London Stock Exchange. The Company's registered office is: 28 Jamestown Road, Camden, London NW1 7BY. The principal activity of the Company and its subsidiaries (together referred to as the 'Group') is the design, development, procurement, marketing, selling and distribution of footwear, under the Dr. Martens brand.

2. **Accounting policies**

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to the periods presented, unless otherwise stated. Amounts are presented in GBP and to the nearest million pounds (to one decimal place) unless otherwise noted.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The Group's consolidated financial statements have been prepared on a going concern basis under the historical cost convention, except for equity investments, derivative financial instruments, money market funds, share-based payments and pension scheme assets that have been measured at fair value.

Certain amounts in the Statement of Profit or Loss and the Balance Sheet have been grouped together for clarity, with their breakdown being shown in the notes to the financial statements. The distinction presented in the Balance Sheet between current and non-current entries has been made on the basis of whether the assets and liabilities fall due within one year or more.

In preparing the Consolidated Financial Statements management has considered the impact of climate change, particularly in the context of the financial statements as a whole, in addition to disclosures included in the Strategic report this year. This included an assessment of the impact on the carrying value of non-current assets and the impact on forecasts used in the impairment review and the assessments of going concern and longer term viability. These considerations did not have a material impact on the financial reporting judgements and estimates, consistent with the assessment that climate change is an emerging risk and not expected to have a significant impact on the Group's going concern assessment to 30 September 2024 nor the viability of the Group over the next three years.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2023 and 31 March 2022. Control is achieved when the Group has rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement(s) with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

2. Accounting policies (continued)

2.2 Basis of consolidation (continued)

Profit or Loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cashflows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.3 Adoption of new and revised standards

The Group has not early adopted any amendments, standards or interpretations that have been issued but are not yet effective.

New standards and interpretations not yet applied

The following new or amended IFRS accounting standards, amendments and interpretations are not yet adopted and it is expected that where applicable, these standards and amendments will be adopted on each respective effective date:

- Amendments to IAS 1 – Presentation of financial statements: non-current liabilities with covenants
- Amendments to IAS 1 – Classification of liabilities as current, and disclosure of accounting policies
- Amendments to IAS 8 – Definition of accounting estimates
- Amendments to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction.

These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods.

2.4 Non-UK currency

The consolidated financial statements are presented in GBP, which is the Group's presentational currency. The Group includes non-UK entities whose functional currencies are not Sterling. On consolidation, the assets and liabilities of the Group entities that have a functional currency different from the presentation currency are translated into GBP at the closing rate at the date of that Balance Sheet. Income and expenses for each Statement of Profit or Loss are translated at average exchange rates for the period. Exchange differences are recognised in other comprehensive income.

The functional currency of each company in the Group is that of the primary economic environment in which the entity operates. Monetary assets and liabilities denominated in non-UK currencies are translated into GBP at the rates of exchange ruling at the period end. Transactions in non-UK currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the Statement of Comprehensive Income.

2.5 Going concern

The financial statements have been prepared on a going concern basis. The Directors' assessment is based on detailed trading and cashflow forecasts, including forecast liquidity and covenant compliance. The period of management's assessment is from the date of the signing of the financial statements to 30 September 2024 and the going concern basis is dependent on the Group maintaining adequate levels of resources to operate during the period.

The Directors also considered the Group funding arrangements at 31 March 2023 with cash of £157.5m, a term loan of £296.8m as well as available undrawn facilities of £196.3m. A bullet debt repayment of the term loan of £296.8m is not due until 2 February 2026.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

2. Accounting policies (continued)

2.5 Going concern (continued)

FY23 experienced a steady deterioration in the global macro economy with differing impacts on several of our core markets. With the exception of China (which was closed due to strict Covid-19 related lockdowns during Q1) all our core markets had a strong Q1 trading period. However, from Q2 a more negative consumer sentiment from weaker macro economic themes, began to emerge.

In EMEA, the war in Ukraine, expectation of higher inflation and significantly higher energy costs were compounded by increasing interest rates and resulted in variable DTC trading through the autumn. From November however, in part due to the benefit of a weaker base (from Covid-19 related trading restrictions in prior year), we experienced very strong DTC trading with Q4 growth, accelerating compared to Q3 growth. This momentum has continued into Q1 to date.

In America, aggressively increasing interest rates and higher gas prices, dampened consumer spending with the sale of boots also negatively impacted by unseasonably warm weather through the autumn, and resulted in variable and soft DTC trading from September to the end of the financial year. This soft DTC trading is expected to continue through H1 FY24. Disappointingly, H2 was also significantly impacted by the LA DC supply bottleneck, which resulted in higher costs and slower wholesale shipments than planned. The operational issues at LA DC have now been resolved and the planned work to expand capability and capacity to ship to all channels from our New Jersey DC is on track, to be completed for the AW23 season. This will mean we will have the ability to ship to all channels from both west and east coast. Following a review to right size forward cover inventory, we now expect to maintain the three satellite warehouses in LA for the full financial year, with inventory right-sized through H2 by buying less than we plan to sell. However, there will be a cost of renting the DCs to store the inventory of c.£15m which is included in the going concern period.

In APAC, Japan slowly recovered from Covid-19 through the year, with the requirement to wear masks inside finally ending in March 2023. We expect Japan to steadily continue to recover from Covid-19 related restrictions through the new financial year. China and Hong Kong have very recently seen strong growth as Covid-19 restrictions were lifted at the turn of the calendar year and we expect to see these markets recover through the new financial year, albeit from a very small base.

The Directors remain vigilant and continue to monitor a number of consumer confidence metrics across all our core markets. While global expectations are for inflation to slowly fall by the end of the year, interest rates are still expected to rise, the global political climate is difficult, the war in Ukraine is expected to continue, and together with recent banking volatility, this results in the Directors adopting a cautious outlook to the new financial year.

As part of the going concern assessment, management have modelled, and the Directors have reviewed a base case and a severe but plausible downside scenario described in the Viability Statement set out on pages 60 and 61 of the Annual Report with no planned cost or working capital mitigating actions (including dividend payments).

For more detail on the central planning assumptions that form part of the base case see page 60 in the Viability Statement.

Where appropriate and practical, we assessed the impact of a number of risks, described on pages 56 to 59, crystallising and subsequent impact on trading, cashflows and covenant compliance. The risks for modelling purposes in the severe but plausible downside scenario included all factories in one key production geographic area being out of production for a period of around three months (this has been assessed for two separate countries of production), website in a significant region out of action for a period of one month during peak trading, a large distribution centre being out of action for a period of around six months and weaker consumer sentiment and lower demand. These risks impact revenue and cost growth assumptions in the base case and have been sensitised downward to model the severe but plausible downside scenario with no planned cost or working capital mitigating actions (including dividend payments). The Group continues to have satisfactory liquidity and covenant headroom under each risk modelled individually. The impact was represented by revenue growth being 3pts lower than the base case across all channels and geographies.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

2. Accounting policies (continued)

2.5 Going concern (continued)

In the severe but plausible scenario modelled the Group continues to have satisfactory liquidity headroom but required remediation of the covenant headroom throughout the period under review. However, should this extreme downside scenario occur then mitigating actions could be taken including (but not limited to) cancellation of bonus, holding marketing investment in line with prior year percentage of revenue and delaying/cancellation of certain IT-related capex spend. Under this scenario dividends could be maintained, but would be reviewed if required. Experience through the two years of FY22 and FY23 indicated minimal wholesale bad debt risk and minimal margin risk with the principal risk being lower revenue. In the scenario modelled post mitigation, the Group continues to have satisfactory liquidity and covenant headroom throughout the period under review. A more extreme downside scenario is not considered plausible.

In addition, reverse stress test has also been modelled to determine what could break covenant compliance estimates and liquidity before mitigating actions. To model these reverse stress tests the impact on revenue of zero covenant headroom and zero liquidity was calculated at the end of FY24. Under the covenant breach test it is concluded that the business could weather extreme growth reductions without mitigation, -26%pts[1] to revenue growth in FY24 before covenants are breached. Similarly, the business would have to experience –61%pts[1] revenue growth reduction in FY24 before zero cash headroom is reached. Under both tests modelled, there were no mitigating actions (including dividend payments) modelled. The Directors have assessed the likelihood of occurrence to be remote.

The Directors have assessed the qualitative and quantitative impact of climate-related risks on asset recoverable amounts and concluded that there would not be a material impact on the business in the viability period.

The Directors will continue to monitor the effects of global macro-economic considerations and geopolitical events on our Group and the economies and consumer confidence in the countries where we operate and we plan to maintain maximum flexibility to react, on a market-by-market basis.

In adopting the going concern basis for preparing the financial statements, the Directors have considered the business activities as well as the principal risks and uncertainties faced by the business. Based on the Group's trading and cashflow forecasts, the Directors are satisfied that the Group will maintain an adequate level of resources to be able to continue to operate during the period under review.

2.6 Share Incentive Plan (SIP) Trusts

The Group operates two SIP Trusts for the benefit of its employees. Under accounting standard IFRS 10 Consolidated Financial Statements, control for accounting purposes has a different test threshold than under a legal basis and as a result the Group's SIP Trusts are deemed to be under the control of Dr. Martens plc. The Trust deed for the Dr. Martens plc UK Share Incentive Plan Trust was adopted by the Board on 10 September 2021. The Trust deed for the Dr. Martens plc International Share Incentive Plan Trust was adopted by the Board on 10 September 2021.

2.7 Revenue

The Group's revenue arises from the sale of goods to customers. Contracts with customers generally have one performance obligation. The Group has concluded that the revenue from the sale of goods should be recognised at a point in time when control of the goods is transferred to the customer, which is dependent on the revenue channel. Revenue is recognised at the invoiced price less any associated discounts and sales taxes.

The Group assessed its revenue channels against the IFRS 15 five-step model, identifying the contracts, the performance obligations and the transaction price, and then allocating this to determine the timing of revenue recognition. The revenue channels that have been separately assessed are as follows:

- ecommerce revenue, including delivery charge income;
- retail revenue; and
- wholesale revenue.

1. On a constant currency basis, an Alternative Performance Measure 'APM' as defined in the Glossary on pages 81 and 82.

2. Accounting policies (continued)

2.7 Revenue (continued)

Control is passed to the customer on the following basis under each of the revenue channels as follows:

- ecommerce channel: upon receipt of the goods by the customer;
- retail channel: upon completion of the transaction; and
- wholesale channel: upon delivery of the goods or upon dispatch to the customer if the customer takes responsibility for delivery.

The payment terms across each of these revenue channels varies. The payments for retail are received at the transfer of control. Ecommerce payments are mainly received in advance of transfer of control by less than one week as there is a timing difference between receipt of cash on order and receipt of goods by the customer. Wholesale customers pay on terms generally between 30 and 60 days.

Some contracts for the sale of goods provide customers with a right of return and rebates. Under IFRS 15, this gives rise to variable consideration.

Rights of return

When a contract provides a customer with a right of return, under IFRS 15, the consideration is variable because the contract allows the customer to return the product. The Group uses the expected value method to estimate the goods that will be returned and recognise a refund liability and an asset for the goods to be recovered. Provisions for returned goods are calculated based on future expected levels of returns for each channel, assessed across a variety of factors such as historical trends, economic factors and other measures.

Rebates

Under IFRS 15, rebates give rise to variable consideration. To estimate this the Group applies the most likely amount method.

2.8 Finance income and expenses

Finance expenses consist of interest payable on various forms of debt and finance income consists of interest receivable amounts from cash held. Both are recognised in the Statement of Profit or Loss under the effective interest rate method.

2.9 Exceptional items

Exceptional items consist of material non-recurring items and items arising outside the normal trading of the Group.

2.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax movement recognised. The tax currently payable is based on taxable profit. Taxable profit differs from net profit as reported in the Statement of Profit or Loss because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the end of each reporting period. The Group applies *IFRIC 23 Uncertainty over Income Tax Treatments* to measure uncertain tax positions. The Group calculates each provision using either the expected value method or the most likely outcome method in line with the guidance contained within IFRIC 23. The uncertain tax positions are reviewed regularly and there is ongoing monitoring of tax cases and rulings which could impact the provision.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the historical financial information and the corresponding tax bases used in the computation of taxable profit and is accounted for using the Balance Sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences arising in investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets

Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

2. Accounting policies (continued)

2.10 Taxation (continued)

is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised, or the liability is settled. Deferred tax is charged or credited in the Statement of Profit or Loss, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity. Both deferred tax assets and liabilities and current tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority, and the Group intends to settle its current tax assets and liabilities on a net basis.

2.11 Dividends

Final dividends are recorded in the financial statements in the period in which they are approved by the Company's shareholders. Interim dividends are recorded in the period in which they are approved and paid.

2.12 Intangible assets

Goodwill

Business combinations are accounted for by applying the acquisition method. Goodwill acquired represents the excess of the fair value of the consideration over the fair value of the identifiable net assets acquired.

After initial recognition, positive goodwill is measured at cost less any accumulated impairment losses. At the date of acquisition, the goodwill is allocated to cash generating units, usually at business segment level or statutory company level as the case may be, for the purpose of impairment testing and is tested at least annually for impairment. If any such indication of impairment exists, the assets' recoverable amount is estimated. For goodwill, the recoverable amount is estimated at each year-end date and whenever there is an indication of impairment. On subsequent disposal or termination of a business acquired, the profit or loss on termination is calculated after charging the carrying value of any related goodwill. Negative goodwill is recognised directly in the Statement of Profit or Loss.

Separately acquired intangible assets

Separately acquired intangible assets comprise other intangibles. Other intangibles that have finite useful lives are carried at cost less accumulated amortisation and any provision for impairment. The finite life other intangibles are amortised on a straight line basis over the expected useful economic life of each of the assets. Amortisation expense is charged to selling and administrative expenses. Other intangibles with an indefinite useful life are carried at cost less impairment. These are other intangibles for which the estimated useful life is indefinite. The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

Software

Software comprises of internally generated software development. Research expenditure is charged to income in the year in which it is incurred. Development expenditure is charged to income in the year it is incurred unless it meets the recognition criteria of IAS 38 Intangible Assets to be capitalised as an intangible asset. Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and impairment losses. Amortisation begins when development is complete, and the asset is available for use. These assets are considered to have finite useful lives and are amortised on a straight line basis over the expected useful economic life of the assets, which is considered to be three to seven years. Amortisation expense is charged to selling and administrative expenses. The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

2.13 Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and provision for impairment. Depreciation is calculated to write down the cost of the assets less estimated residual value over its expected useful life as follows:

-	Freehold properties	2% straight line method
-	Freehold improvements	10% straight line method
-	Leasehold improvements	2% straight line method or over the life of the lease
-	Plant and machinery	15% straight line method
-	Office and computer equipment	33% for computer equipment and 20% for all other office equipment straight line method
-	Motor vehicles	33% straight line method

Depreciation expense is charged to selling and administrative expenses. Any gain or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit or Loss in the period that the asset is derecognised.

2.14 Impairment

The carrying amounts of the Group's relevant assets are reviewed at each year-end date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated. For goodwill and intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each year-end date and whenever there is an indication of impairment. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Profit or Loss in those expense categories consistent with the function of the impaired asset. Refer to notes 12 and 13 for further details.

2.15 Lease accounting

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. As part of the measurement approach, the Group uses its incremental borrowing rate which is adjusted by both property type and geography. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Right-of-use-assets – Shorter of lease term and estimated useful life (3 to 15 years)

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in the Impairment of non-financial assets section.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

2. Accounting policies (continued)

2.15 Lease accounting (continued)

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate (adjusted by both property type and geography) at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the interest charge and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification that does not increase the scope of the lease, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. A lease modification is accounted for as separate lease where the modification increases the scope of the lease, and the lease consideration increases by an amount reflecting the stand-alone price for the increase in scope.

The Group's lease liabilities are included in interest-bearing loans and borrowings (note 18).

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight line basis over the lease term.

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Inventories are valued at weighted average cost, including freight to warehouse and duty. Net realisable value is based on estimated selling price less any costs expected to be incurred to completion or disposal.

2.17 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Consolidated Balance Sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets, and to settle the liabilities simultaneously.

Categorisation of inputs for fair value measurements

Assets and liabilities held at fair value are categorised into levels that have been defined according to IFRS 13 'Fair Value Measurement' measurement hierarchy as follows:

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

Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

2. Accounting policies (continued)

2.17 Financial instruments

The fair value of derivatives are calculated using quoted prices in relevant exchanges at the end of the reporting period. Where such prices are not available, the Group uses valuation models to determine the fair values based on observable market curves such as forward foreign exchange rates, discounted back to present value using risk free interest rates. The impacts of counterparty credit, volatility and currency basis are also considered as part of the fair valuation where appropriate.

All financial instruments held at fair value within the Group are assessed as being measured as Level 2 except for equity investments which are classified as Level 3 due to observable data to derive fair value being unavailable.

2.18 Financial assets

Recognition and derecognition

Purchases and sales of financial assets are recognised on trade date being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cashflows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Investments

Equity investments that are not held for trading have been irrevocably designated as fair value through other comprehensive income. Subsequent to initial recognition at fair value plus transaction costs, these assets are recorded at fair value at each period end with the movements recognised in other comprehensive income until derecognition or impaired. On derecognition, the cumulative gain or loss previously recognised in other comprehensive income is never recycled to the income statement. Dividends on financial assets at fair value through other comprehensive income are recognised in the income statement when the entity's right to receive payment is established. Equity investments are recorded in non-current assets unless they are expected to be sold within one year.

Trade and other receivables

Trade receivables are assessed under IFRS 9 and measured at amortised cost using the effective interest rate method. The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss (FVPL). The most significant financial assets of the Group are its cash and trade receivables. ECLs are based on the difference between the contractual cashflows due in accordance with the contract and all the cashflows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

Cash and cash equivalents

Cash and cash equivalents primarily comprise cash held within bank accounts, Money Market Funds (MMFs) and bank term deposits maturing less than three months from inception. All cash is held short term in highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Included within cash and cash equivalents are debit and credit card payments made by customers which are receivable from card acquiring financial institutions, and cash in transit from various payment processing intermediaries that provide receipting services to the Group.

All cash and cash equivalents are measured at amortised cost with the exception of MMFs which are held at fair value through profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

2. Accounting policies (continued)

2.19 Financial liabilities

The Group classifies and measures all of its non-derivative financial liabilities at amortised cost.

Initial recognition

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit or Loss.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the course of ordinary business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently held at amortised cost using the effective interest rate method.

2.20 Derivative financial instruments and hedging activities

The Group uses exchange forward contracts to hedge its non-UK currency risks. Such derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Gains or losses arising from changes in fair value related to derivatives held in a cashflow hedge relationship are recognised in other comprehensive income/(expense) and deferred in the hedging reserve to the extent that the hedges are deemed effective. Amounts are transferred to the income statement in the same period in which the hedged risk affects the income statement and against the same line item.

The Group designates exchange derivative hedges on a full forward or spot basis. Where only the spot element of an exchange derivative is designated, the cost of hedging election is applied to the forward points with fair value movements recognised in other comprehensive income and released to profit or loss depending on the nature of the underlying hedged item.

The Group performs regular hedge effectiveness testing. For cashflow hedges where the forecast transaction is no longer expected to occur, hedge accounting is discontinued, and all accumulated gains or losses held in the hedging reserve are immediately recognised in profit or loss. Where hedge accounting is discontinued as a result of expiry, disposal or termination of the derivative instrument (and where the hedge relationship was deemed to be effective), accumulated gains or losses up to the point of discontinuation are held in the hedging reserve and released to profit or loss in line with the hedged item.

Derivative financial instruments consist of foreign currency exchange forward contracts, which are categorised within Level 2 under the IFRS 13 measurement hierarchy (refer to note 2.17 for further detail on fair value level categorisation).

The full fair value of derivatives which are not designated in a hedge accounting relationship are classified as a non–current asset or liability if the remaining maturity of the derivatives are more than 12 months and as a current asset or liability if the maturity of the derivatives which are not designated in a hedge accounting relationship are less than 12 months.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

2. Accounting policies (continued)

2.21 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently carried at amortised cost using the effective interest rate method so that any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Profit or Loss over the period of the borrowings. Details of the Group's borrowings are included in note 18.

Borrowing costs

The Group expenses borrowing costs in the period the costs are incurred. Where borrowing costs are attributable to the acquisition, construction or production of a qualifying asset, such costs are capitalised as part of the specific asset and amortised over the estimated useful life of the asset. Details of the Group's borrowings are included in note 18.

2.22 Pension arrangements

The Group provides pension benefits which include both defined benefit and defined contribution arrangements.

Defined contribution pension schemes

For defined contribution schemes the amount charged to the Statement of Profit or Loss represents the contributions payable to the plans in the accounting period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the Balance Sheet.

Defined benefit pension scheme

The Group operates a defined benefit pension scheme, which requires contributions to be made to separately administered funds for administration expenses. The Group did not make any contributions to the scheme in the year (FY22: £nil). The UK defined benefit scheme was closed to new members on 6 April 2002, from which time membership of a defined contribution plan was available. It was then closed to all future accrual for all existing members on 31 January 2006. A valuation of the Plan is carried out at least once every three years to determine whether the Statutory Funding Objective is met. The last valuation was carried out at 30 June 2022, the next valuation is due at 30 June 2025. No asset is recognised in the Balance Sheet in respect of defined benefit pension plans due to the uncertainty over the Group's right to a refund of the surplus from the Scheme as set out in note 2.26. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. Past-service costs are recognised immediately in income.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. The net interest cost is limited by the asset ceiling. When occurring, this cost is included in employee benefit expense in the Statement of Profit or Loss. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

2. Accounting policies (continued)

2.23 Share-based payments

The Group provides benefits to employees in the form of share-based payment transactions, whereby employees render services as consideration in exchange for equity instruments ('equity-settled transactions').

The cost of equity-settled transactions is measured by reference to the fair value of the equity instruments at the date on which they are granted and is recognised as an expense over the vesting period, which ends on the date the relevant employee becomes fully entitled to the award. The fair value is calculated using an appropriate option pricing model and takes into account the impact of any market performance conditions. The impact of non-market performance conditions is not considered in determining the fair value at the date of grant. Vesting conditions which relate to non-market conditions are allowed for in the assumptions used for the number of options expected to vest. The level of vesting is reviewed at each balance sheet date and the charge adjusted to reflect actual and estimated levels of vesting. The cost of share-based payment transactions is recognised as an expense over the vesting period of the awards, with a corresponding increase in equity. Further details of share-based awards granted in the year can be found in note 26.

A proportion of the annual Executive Bonus Scheme is settled in the form of purchased Parent Company shares. This is accounted for as a cash-settled scheme as although participants received equity, it is driven by a cash amount that is paid and converted into shares at a point in time. The proximity of the date of communication of the bonus to when the shares are received means that there would be minimal difference between cash- and equity-settled treatment.

2.24 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.25 Alternative Performance Measures (APMs)

Management exercises judgement in determining the adjustments to apply to IFRS measurements in order to derive suitable APMs. As set out on pages 81 to 82 of the Glossary, APMs are used as management believes these measures provide additional useful information on the underlying trends, performance and position of the Group. These measures are used for performance analysis. The APMs are not defined by IFRS and therefore may not be directly comparable with other companies' APMs. These measures are not intended to be a substitute for, or superior to, IFRS measurements.

2.26 Significant judgements and estimates

The preparation of the Group's financial statements in conforming with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances. However, the nature of estimation means that actual outcomes could differ from those estimates. Information about such judgements and estimation is contained in the accounting policies and/or notes to the financial statements and the key areas are summarised below:

Key judgements

The following judgement has had the most significant effect on amounts recognised in the financial statements:

Defined benefit scheme surplus

The Group acknowledges that the recognition of pension scheme surplus is an area of accounting judgement, which depends on the interpretation of the Scheme Rules and the relevant accounting standards including IAS 19 and IFRIC 14. The surplus under the scheme is not recognised as an asset benefiting the Group on the Balance Sheet, as the Group believes there is uncertainty in relation to the recoverability of any surplus, which is therefore unlikely to derive any economic benefits from that surplus. In the Group's view there is uncertainty over whether the Scheme Rules provide the Group with an unconditional right to a refund of the surplus from the Scheme due to third-party discretionary investment powers which could use up any surplus prior to wind-up. Consistent with previous years, given this uncertainty, the Group has applied an asset ceiling to the pension scheme surplus of zero. As such, an asset ceiling has been applied to the Balance Sheet, and the net surplus of £11.1m (FY22: £13.3m) has not been recognised on the Balance Sheet.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

2. Accounting policies (continued)

2.26 Significant judgements and estimates (continued)

The net surplus has been capped to £nil (FY22: £nil). The key sensitivities of the defined benefit obligation to the actuarial assumptions are show in note 29.

Other areas of judgement and accounting estimates

The Consolidated Financial Statements include other areas of judgement and accounting estimates. While these areas do not meet the definition under IAS 1 of significant accounting estimates or critical accounting judgements, the recognition and measurement of certain material assets and liabilities are based on assumptions and/or are subject to longer term uncertainties. The other areas of judgement and accounting estimates are listed below:

Judgements

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g. construction of significant leasehold improvements or significant customisation to the leased asset).

The Group included the renewal period as part of the lease term for leases of plant and machinery with shorter non-cancellable periods (i.e. three to five years). The Group typically exercises its option to renew these leases because there will be a significant negative effect on production if a replacement asset is not readily available. The renewal periods for leases of leasehold property with longer non-cancellable periods (i.e. 10 to 15 years) are not included as part of the lease term as these are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Sources of estimation uncertainty and assumptions

The following estimates are dependent upon assumptions which could change in the next financial year and have an effect on the carrying amount of assets and liabilities recognised at the Balance Sheet date:

Inventory provisions

Inventory provisioning requires significant judgement on which inventory lines should be classed as obsolete. Inventory age, historic sales patterns and trading forecasts are used when classifying inventory lines to be provided against.

Corporation tax

The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which the determination is made. Management is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies (see notes 9 and 23). In addition, the assessment of uncertain tax positions is based on management's interpretation of relevant tax rules and decided cases, external advice obtained, the statute of limitations, the status of the negotiations and past experience with tax authorities. In evaluating whether a provision is needed it is assumed that tax authorities have full knowledge of the facts and circumstances applicable to each issue.

Carrying value of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit (CGU) fair value less costs of disposal and its value in use.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

2. Accounting policies (continued)

2.26 Significant judgements and estimates (continued)

The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Determining the carrying value of an asset or CGU requires the use of estimates of future cashflows and discount rates in order to calculate the present value of the cashflows. For details see notes 12 and 13.

Retirement benefit liabilities

Determining the fair value of the defined benefit pension scheme, which relates to the pension of the Group, requires assumptions to be made by management and the Group's independent qualified actuary around the actuarial valuations of the scheme's assets and liabilities. For details see note 29.

Leases – estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease; therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating). The IBR is reassessed when there is a reassessment of the lease liability or a lease modification.

3. Segmental analysis

IFRS 8 'Operating Segments' requires operating segments to be determined by the Group's internal reporting to the Chief Operating Decision Maker (CODM). The CODM has been determined to be both the CEO and CFO, who receive information on this basis of the Group's revenue in key geographical regions based on the Group's management and internal reporting structure. The CODM assesses the performance of geographical segments based on a measure of revenue and EBITDA[1]. To increase transparency the Group also includes additional voluntary disclosure analysis of global revenue within different operating channels. Included within EMEA is revenue attributable to Airwair International Limited and Airwair Wholesale Limited, the principal UK trading subsidiaries of Dr. Martens plc, with revenue from retail stores in Continental Europe and wholesale and export customers, America revenue is fully attributable to the USA and Canada, export revenue to certain South America markets stopped in the first half of FY22, and APAC revenue is mainly attributable to Japan, Australia, China and South Korea. The types of products from which each reportable segment derives its revenue are consistent across all segments.

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3. Segmental analysis (continued)

	FY23 £m	FY22 £m
Revenue by geographical market[4]		
EMEA	**443.0**	398.5
America	**428.2**	382.7
APAC	**129.1**	127.1
Total revenue	**1,000.3**	908.3

4. Revenue by geographical market represents revenue from external customers; there is no inter-segment revenue

	FY23 £m	FY22 £m
EBITDA[1] by geographical market		
EMEA	**146.1**	143.8
America	**100.1**	120.0
APAC	**33.8**	32.6
Support costs	**(35.0)**	(33.4)
EBITDA[1]	**245.0**	263.0
Depreciation, amortisation and impairment[2]	**(22.6)**	(14.4)
Depreciation and impairment of right-of-use assets[3]	**(35.5)**	(22.5)
Exchange (losses)/gains	**(10.7)**	3.2
Depreciation, amortisation, impairment and exchange (losses)/gains	**(68.8)**	(33.7)
Finance income and expense	**(16.8)**	(15.0)
Profit before tax	**159.4**	214.3

1. Alternative Performance Measure 'APM' as defined in the Glossary on pages 81 and 82.
2. Includes impairment charge of £0.6m (FY22: £0.2m), refer to note 13.
3. Includes impairment charge of £3.3m (FY22: £nil) refer to note 13.

	FY23 £m	FY22 £m
Revenue by channel		
Ecommerce	**279.0**	262.4
Retail	**241.7**	185.6
Total DTC revenue	**520.7**	448.0
Wholesale	**479.6**	460.3
Total revenue	**1,000.3**	908.3

	FY23 £m	FY22 £m
Non-current assets		
EMEA[1]	**143.3**	107.9
America	**72.6**	46.1
APAC	**15.4**	11.2
Goodwill	**240.7**	240.7
Deferred tax	**11.8**	9.6
Total non-current assets	**483.8**	415.5

1. Included in the EMEA non-current assets is £79.4m (FY22: £60.6m) in relation to the UK legal entities.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

4. Expenses analysis

Profit before tax is stated after charging and crediting:

	Notes	FY23 £m	FY22 £m
Selling and administrative expenses			
Staff costs	6	**143.8**	132.6
Operating costs		**229.3**	183.2
		373.1	315.8
Amortisation	12	**8.4**	4.7
Depreciation[1]	13	**13.6**	9.5
Depreciation of right-of-use assets	13	**32.2**	22.5
Impairment[1]	13	**0.6**	0.2
Impairment of right-of-use assets	13	**3.3**	-
Exchange losses/(gains)		**10.7**	(3.2)
Depreciation, amortisation, impairment and exchange losses/(gains)		**68.8**	33.7
Total selling and administrative expenses		**441.9**	349.5

1. Impairment of £0.2m in FY22 was previously included within depreciation

5. Auditor's remuneration

	PwC FY23 £m	EY FY22 £m
Fees payable to the Company's auditor for the audit of the Parent Company and consolidated financial statements	**0.6**	0.6
Fees payable to the Company's auditor for other services:		
The audit of the Company's subsidiaries	**1.1**	0.8
Other services – including interim review	**0.1**	0.1
	1.8[1]	1.5

1. Auditor's remuneration of £2.1m disclosed in the Audit and Risk Committee Report on page 156 of the Annual Report is different to this as it includes additional fees relating to the FY23 audit which were agreed and have been incurred as an accounting expense in FY24.

6. Staff costs

The monthly number of employees (including Directors) employed by the Group during the year was:

	FTE[1] As at 31 March		Average[2] For the year ended 31 March	
	2023 No.	2022 No.	**2023 No.**	2022 No.
EMEA	**951**	810	**1,615**	1,359
America	**580**	547	**768**	662
APAC	**468**	412	**484**	471
Global support functions	**592**	460	**594**	431
	2,591	2,229	**3,461**	2,923

1. FTE (Full Time Equivalent) is calculated by dividing the employee's contracted hours by the Group's standard full time contact hours.
2. Average is the average actual employees of the Group during the year calculated on a monthly basis.

The aggregate payroll costs were as follows:

	FY23 £m	FY22 £m
Wages and salaries	**117.5**	106.8
Social security costs	**13.4**	10.8
Pension costs	**4.7**	6.0
Other benefits[1]	**8.2**	9.0
	143.8	132.6

1. Includes share-based payments of £0.5m (FY22: £5.2m).

Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

7. Directors' remuneration

The remuneration of Executive Directors of the Company is set out below:

	FY23 £m	FY22 £m
Salaries and benefits	**1.2**	2.6
Pension costs	**0.1**	0.1
	1.3	2.7

The remuneration of the highest paid Director was:

	FY23 £m	FY22 £m
Salaries and benefits	**0.8**	1.3
Pension costs	**-**	-
	0.8	1.3

The highest paid Director is not entitled to receive benefits under the defined benefits pension scheme. No retirement benefits are accruing to Directors under a defined contribution scheme (FY22: £nil). Further details on Directors' remuneration can be found in the Remuneration Report on pages 139 to 150 of the Annual Report.

8. Finance expense

	FY23 £m	FY22 £m
Bank debt and charges[1,2]	**12.7**	10.4
Interest on lease liabilities	**4.8**	3.5
Amortisation of bank loan issue costs	**1.2**	1.2
Total financing expense	**18.7**	15.1

1. Bank debt expense was £12.7m (FY22: £10.4m), compared to interest paid in the period of £5.6m (FY22: £10.8m), with the difference of £7.1m (FY22: £0.4m) relating to timing of interest payments on the debt.
2. Interest income of £1.9m (FY22: £0.1m) was previously included within 'Bank debt and charges'.

9. Tax expense

The Group calculates the tax expense for the year using the tax rate that would be applicable to the expected total annual earnings. The major components of tax expense in the Consolidated Statement of Profit or Loss are:

	FY23 £m	FY22 £m
Current tax		
Current tax on UK profit for the year	**28.1**	40.0
Adjustment in respect of prior years	**(1.7)**	(8.8)
Current tax on overseas profits for the year	**4.3**	4.3
	30.7	35.5
Deferred tax		
Origination and reversal of temporary differences	**(1.0)**	(2.5)
Adjustment in respect of prior years	**0.8**	0.1
	(0.2)	(2.4)
Total tax expense in the Consolidated Statement of Profit or Loss	**30.5**	33.1
Other comprehensive income		
Tax in relation to unexercised share options	**-**	-
Tax in relation to cashflow hedges	**(0.2)**	-
Total tax expense in the Consolidated Statement of Comprehensive Income	**30.3**	33.1

Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

9. Taxation (continued)

	FY23 £m	FY22 £m
Factors affecting the tax expense for the year:		
Profit before tax	**159.4**	214.3
Profit before tax multiplied by standard rate of UK corporation tax of 19% (FY22: 19%)	**30.3**	40.7
Effects of:		
Non-deductible expenses	**0.2**	-
Effect of change in tax rate	**0.1**	0.1
Share-based payments	**0.1**	0.2
Difference in non-UK tax rates	**0.8**	1.0
Other adjustments	**(0.1)**	(0.2)
Adjustments in respect of prior years[1]	**(0.9)**	0.2
Adjustments in respect of prior year exceptional items[2]	**-**	(8.9)
Total tax expense in the Consolidated Statement of Profit or Loss	**30.5**	33.1
Tax in relation to unexercised share options	**-**	-
Tax in relation to cashflow hedges	**(0.2)**	-
Total tax expense in the Consolidated Statement of Comprehensive Income	**30.3**	33.1

	FY23	FY22
Effective tax rate		
Before prior year exceptional items	***19.1%***	*19.5%*
After prior year exceptional items	***19.1%***	*15.4%*

1. The adjustments in respect of the prior year are in relation to current and deferred tax on temporary differences.
2. The adjustments in respect of the prior year are in relation to bonus payments paid to all employees following the IPO in January 2021, which were treated as non-deductible. However, following a similar tax case and subsequent tax counsel advice we took a deduction in FY22.

Factors that may affect future tax charges

On 3 March 2021, the 2021 UK Budget announced an increase to the corporation tax rate from 19% to 25% effective from April 2023. This was substantively enacted on 24 May 2021.

In February 2022, the OECD released its Administrative Guidance on the Pillar Two Global Anti-Base Erosion rules. The UK has announced the intention to bring these into effect for accounting periods beginning on or after 31 December 2023 and provided draft legislation. While the overarching framework and guidance has been published, we are awaiting the final legislation and additional guidance to assess the full implications.

Notes to the Consolidated Financial Statements
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10. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders of the Parent Company divided by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares in issue during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

	FY23 £m	FY22 £m
Profit after tax	**128.9**	181.2

	FY23 No.	FY22 No.
Weighted average number of shares for calculating basic earnings per share (millions)	**1,000.5**	1,000.1
Potentially dilutive share awards (millions)	**0.7**	2.8
Weighted average number of shares for calculating diluted earnings per share (millions)	**1,001.2**	1,002.9

	FY23	FY22
Earnings per share		
Basic earnings per share	**12.9p**	18.1p
Diluted earnings per share	**12.9p**	18.1p
Underlying[1] earnings per share		
Underlying[1] basic earnings per share	**12.9p**	17.4p
Underlying[1] diluted earnings per share	**12.9p**	17.4p

1. In FY22, underlying earnings per share is calculated as earnings before adjustments in respect of prior year exceptional items of £8.9m in relation to IPO exceptional costs.

11. Dividends

	FY23 £m	FY22 £m
Equity dividends on ordinary shares declared and paid during the year		
Final dividend paid for FY22: 4.28p (FY21: nil)	**42.8**	-
Interim dividend for FY23: 1.56p (FY22: 1.22p)	**15.6**	12.2
Total dividends declared and paid during the year	**58.4**	12.2
Proposed for approval by shareholders at the AGM		
(not recognised as a liability at 31 March 2023 or 31 March 2022)		
Final dividend for FY23: 4.28p (FY22: 4.28p)	**42.8**	42.8
Total interim dividend paid and final dividend proposed	**58.4**	55.0
Dividend as a % of earnings	**45%**	30%
Dividend per share		
Total dividend per share (pence)	**5.84**	5.50

The Board has approved and the Company has proposed a final dividend of 4.28p (FY22: 4.28p). As previously guided the Board has adopted a dividend policy which is unchanged at 25% to 35% of earnings payout. The policy takes into consideration the characteristics of our business, our expectations for future cashflows and our plans for organic investment in innovation and productivity. We intend to pay dividends twice a year following the normal in-year trading profile. The Board recognises, and is confident, that the strong year end cash position, and significant cash generation expected during H2 of FY24 from purchasing less inventory than we plan to sell, coupled with future growth, will normalise both the dividend payout ratio towards 35% of the earnings. The Dr. Martens plc International Share Incentive Plan Trust has waived all dividends payable by the Company in respect of the ordinary shares it holds. Subject to approval at the AGM on 13 July 2023, the dividends will be paid to shareholders on the register at 9 June 2023 with payment on 18 July 2023.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

12. Intangible assets

	Software intangibles[1,2] £m	Other intangibles £m	Goodwill £m	Total[1] £m
Cost				
At 1 April 2021[1]	**29.8**	**1.2**	**240.7**	**271.7**
Additions	9.5	-	-	**9.5**
Disposals	(0.2)	-	-	**(0.2)**
Reclassifications to right-of-use assets[3]	(2.2)	-	-	**(2.2)**
Other intangible assets reclassification	1.9	-	-	**1.9**
Exchange	-	-	-	**-**
At 31 March 2022	**38.8**	**1.2**	**240.7**	**280.7**
Additions	11.8	-	-	11.8
Disposals	(2.5)	-	-	(2.5)
Reclassifications to right-of-use assets[3]	(0.2)	-	-	(0.2)
Reclassifications to property, plant and equipment	(0.1)	-	-	(0.1)
Exchange	0.4	-	-	0.4
At 31 March 2023	**48.2**	**1.2**	**240.7**	**290.1**
Accumulated amortisation and impairment				
At 1 April 2021[1]	**12.1**	**-**	**-**	**12.1**
Charge for the year	4.7	-	-	**4.7**
Disposals	(0.2)	-	-	**(0.2)**
Other intangible assets reclassification	1.9	-	-	**1.9**
Exchange	0.1	-	-	**0.1**
At 31 March 2022	**18.6**	**-**	**-**	**18.6**
Charge for the year	8.4	-	-	**8.4**
Disposals	(2.4)	-	-	**(2.4)**
Exchange	(0.1)	-	-	**(0.1)**
At 31 March 2023	**24.5**	**-**	**-**	**24.5**
Net book value				
At 31 March 2023	**23.7**	**1.2**	**240.7**	**265.6**
At 31 March 2022	20.2	1.2	240.7	**262.1**

1. Results for the year ended 31 March 2021 have been retrospectively restated in relation to a change in accounting policy for the treatment of cloud-based software. This resulted in £nil impact on cash.
2. Software intangible additions in the year of £11.8m (FY22: £9.5m) include permanent employee staff costs capitalised of £0.6m (FY22: £nil).
3. Relates to a reclassification of assets to right-of-use assets in relation to key money.

Impairment assessment

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on the higher of fair value less cost to sell and value-in-use calculations which requires the use of assumptions. The calculations use cashflow forecasts based on financial projections approved by the Board covering a five-year period. Where the recoverable amount is less than the carrying value, an impairment results. For the purposes of carrying out impairment tests, the Group's total goodwill has been allocated to a number of CGUs and each of these CGUs has been separately assessed and tested. The CGUs were agreed by the Directors as the geographical regions in which the Group operates. These regions are the lowest level at which goodwill is monitored and represent identifiable operating segments.

The aggregate carrying amount of goodwill allocated to each CGU was as follows:

	FY23 £m	FY22 £m
EMEA	**66.6**	66.6
America	**114.1**	114.1
APAC	**60.0**	60.0
	240.7	**240.7**

All CGUs were tested for impairment. No charge was made in the current year (FY22: £nil).

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12. Intangible assets (continued)

Significant judgements, assumptions and estimates

All CGUs' recoverable amounts are measured using value in use. At each period end, detailed forecasts for the following five years have been used, which are approved by the Board based on annual budgets and strategic projections representing the best estimate of future performance. Management considers forecasting over this period to appropriately reflect the business cycle of the CGUs. There have been no changes to the composition of the Group's CGUs during the period. In determining the value in use of CGUs it is necessary to make a series of assumptions to estimate the present value of future cashflows. In each case, these key assumptions have been made by management reflecting past experience and are consistent with relevant external sources of information.

Operating cashflows

The main assumptions within forecast operating cashflow include the achievement of future growth in ecommerce, retail and wholesale channels, sales prices and volumes (including reference to specific customer relationships and product lines), raw material input costs, the cost structure of each CGU, the impact of non-UK currency rates upon selling price and cost relationships and the levels of capital expenditure required to support each sales channel.

Pre-tax risk adjusted discount rates

This rate reflects the specific risks relating to each segment and considers the countries and regions they operate in. This has been considered and for the regions has been calculated to be 10.2% for EMEA (FY22: 9.1%), 10.1% for America (FY22: 9.6%), and 10.0% for APAC (FY22: 9.1%). Pre-tax risk adjusted discount rates are derived from risk-free rates based upon long-term government bonds adjusted for risk factors such as market and region risk in the territories and averaged for the Group. Included within this analysis are long-term growth rates. To forecast beyond the detailed cashflows into perpetuity, a long-term average growth rate has been used. The long-term growth rates applied for the regions are 1.9% for EMEA (FY22: 1.8%), 2.2% for America (FY22: 3.4%), and 3.5% for APAC (FY22: 3.2%). The rates used are in line with geographical forecasts included within industry reports.

Goodwill sensitivity analysis

The results of the Group's impairment tests are dependent upon estimates and judgements made by management, particularly in relation to the key assumptions described above. Sensitivity analysis to potential changes in key assumptions has therefore been reviewed and there are no reasonably possible changes to key assumptions that would cause the carrying amount for any CGU to exceed its recoverable amount.

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13. Property, plant and equipment

	Freehold property and improvements £m	Leasehold improvements £m	Plant and machinery £m	Office equipment £m	Motor vehicles £m	Total £m
Cost						
At 1 April 2021	**6.8**	**47.6**	**4.2**	**6.1**	**0.1**	**64.8**
Additions	-	12.8	0.4	2.3	-	15.5
Disposals	(0.5)	(0.5)	-	(0.1)	-	(1.1)
Exchange	0.2	0.1	-	-	-	0.3
At 31 March 2022	**6.5**	**60.0**	**4.6**	**8.3**	**0.1**	**79.5**
Additions	1.0	19.9	12.7	2.8	-	36.4
Disposals	-	(5.0)	(0.9)	(2.4)	(0.1)	(8.4)
Reclassifications from intangible fixed assets	-	0.1	-	-	-	0.1
Exchange	0.5	1.3	(0.2)	-	-	1.6
At 31 March 2023	**8.0**	**76.3**	**16.2**	**8.7**	**-**	**109.2**
Accumulated depreciation and impairment						
At 1 April 2021	**0.7**	**24.9**	**2.3**	**4.2**	**0.1**	**32.2**
Charge for the year	0.1	7.0	0.9	1.5	-	9.5
Impairment	-	0.2	-	-	-	0.2
Eliminated on disposal	(0.5)	(0.5)	-	(0.1)	-	(1.1)
Exchange	0.1	0.3	-	-	-	0.4
At 31 March 2022	**0.4**	**31.9**	**3.2**	**5.6**	**0.1**	**41.2**
Charge for the year	0.3	10.3	1.0	2.0	-	13.6
Impairment	-	0.5	-	0.1	-	0.6
Eliminated on disposal	-	(5.0)	(0.9)	(2.4)	(0.1)	(8.4)
Exchange	(0.1)	1.0	0.1	(0.1)	-	0.9
At 31 March 2023	**0.6**	**38.7**	**3.4**	**5.2**	**-**	**47.9**
Net book value						
At 31 March 2023	**7.4**	**37.6**	**12.8**	**3.5**	**-**	**61.3**
At 31 March 2022	6.1	28.1	1.4	2.7	-	38.3

Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

13. **Property, plant and equipment (continued)**

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Right-of-use assets £m
Cost or valuation	
At 1 April 2021	**116.8**
Additions	**41.9**
Reassessments of leases[1]	**5.9**
Reclassifications from intangible fixed assets	**2.2**
Disposals	**(8.4)**
Exchange	**1.1**
At 31 March 2022	**159.5**
Additions[2]	**66.3**
Reassessments of leases[1]	**5.5**
Reclassifications from intangible fixed assets	**0.2**
Disposals	**(0.8)**
Exchange	**4.7**
At 31 March 2023	**235.4**
Depreciation and impairment	
At 1 April 2021	**39.4**
Charge for the year	**22.5**
Disposals	**(8.4)**
Exchange	**0.5**
At 31 March 2022	**54.0**
Charge for the year	**32.2**
Impairment[3]	**3.3**
Disposals	**-**
Exchange	**1.8**
At 31 March 2023	**91.3**
Net book value	
At 31 March 2023	**144.1**
At 31 March 2022	105.5

1. Lease reassessments relate to measurement adjustments for rent reviews and stores that have exercised lease breaks.
2. Additions include £3.2m of direct costs (FY22: nil) and £2.7m (FY22: £0.4m) in relation to costs of removal and restoring.
3. During the year, impairment charged was mainly in relation to three stores in the US where footfall recovery, in their locality, was weak, and they were written down to £nil.

Impairment of property, plant and equipment and right-of-use assets

For impairment testing purposes, the Group has determined that each retail store is a separate CGU. Each CGU is tested for impairment at the Balance Sheet date if any indicators of impairment have been identified.

Significant judgements, assumptions and estimates

All CGUs' recoverable amounts are measured using value in use. At each reporting period end, detailed forecasts for the following five years have been used, which are based on approved annual budgets and strategic projections representing the best estimate of future performance. Management considers forecasting over this period to appropriately reflect the business cycle of the CGUs. There have been no changes to the composition of the Group's CGUs during the periods. In determining the value in use of CGUs it is necessary to make a series of assumptions to estimate the present value of future cashflows. In each case, these key assumptions have been made by management reflecting past experience and are consistent with relevant external sources of information.

Operating cashflows

The main assumptions within forecast operating cashflow include the achievement of future growth in the retail channel, sales prices and volumes, raw material input costs, the cost structure of each CGU, the impact of non-UK currency rates upon selling price and cost relationships and the levels of maintenance capital expenditure required to support each sales channel.

Notes to the Consolidated Financial Statements
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13. Property, plant and equipment (continued)

Pre-tax risk adjusted discount rates

This rate reflects the specific risks relating to each segment and considers the countries and regions they operate in. This has been considered and for the Group has been calculated to be approximately 10% (FY22: 9%). Pre-tax risk adjusted discount rates are derived from risk-free rates based upon long-term government bonds in the territories and averaged for the Group.

Sensitivity analysis

The results of the Group's impairment tests are dependent upon estimates and judgements made by management, particularly in relation to the key assumptions of the Group. The cashflow projections include assumptions on store performance throughout the remaining contractual lease term. In particular, the retail revenue recovery profile in the budget for FY24 represents sources of significant estimation uncertainty. The projections and sensitivity analysis for future years are consistent with the long term forecast approved by the Board. We have concluded no material reasonable possible changes in assumptions will result in an impairment and therefore no sensitivity analysis has been disclosed.

14. Inventories

	FY23 £m	FY22 £m
Raw materials	**2.3**	1.2
Finished goods	**255.5**	121.8
Inventories net of provisions	**257.8**	123.0

	FY23 £m	FY22 £m
Inventory provision	**2.7**	3.1
Inventory written off to Consolidated Statement of Profit or Loss	**0.8**	0.8

The cost of inventories recognised as an expense and included in cost of sales amounted to £348.8m (FY22: £301.1m). The remainder of total cost of sales of £382.2m (FY22: £329.5m) relates to freight including shipping out costs.

15. Trade and other receivables

	FY23 £m	FY22 £m
Trade receivables	**80.6**	76.6
Less: allowance for expected credit losses	**(1.8)**	(0.7)
Trade receivables – net	**78.8**	75.9
Other receivables	**7.5**	5.6
	86.3	81.5
Prepayments	**6.7**	4.1
	93.0	85.6

All trade and other receivables are expected to be recovered within 12 months of the year-end date. Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value. The carrying value of trade receivables represents the maximum exposure to credit risk. For some trade receivables the Group may obtain security in the form of guarantees, insurances or letters of credit which can be called upon if the counterparty is in default under the terms. As at 31 March 2023 the amount of collateral held was £0.3m (FY22: £0.4m).

As at 31 March 2023 trade receivables of £4.5m (FY22: £0.2m) were due over 90 days, trade receivables of £1.4m (FY22: £0.2m) were due between 60-90 days and trade receivables of £75.0m (FY22: £76.2m) were due in less than 60 days. The Group establishes a loss allowance that represents its estimate of potential losses in respect of trade receivables, where it is deemed that a receivable may not be recovered, and considers factors which may impact risk of default.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

15. Trade and other receivables (continued)

Where appropriate, we have grouped these receivables with the same overall risk characteristics. When the receivable is deemed irrecoverable, the provision is written off against the underlying receivables. The Group applies the IFRS 9 simplified approach to measuring expected credit losses (bad debt provision) which uses a lifetime expected loss allowance for all trade receivables.

To measure expected credit losses (bad debt provision), trade receivables have been grouped based on customer segment, geographical location, and the days past due. The expected loss rates are based on the historical credit losses experienced in previous periods. The rates are adjusted to reflect current and forward-looking information, including macro economic factors, by obtaining and reviewing relevant market data affecting the ability of customers to settle the receivables based on their customer segment and geographical location. Where objective evidence exists that a trade receivable balance may be impaired, provision is made for the difference between its carrying amount and the present value of the estimated cash that will be recovered. Evidence of impairment may include such factors as a customer entering insolvent administration proceedings.

As at 31 March 2023 trade receivables were carried net of expected credit losses (bad debt provision) of £1.8m (FY22: £0.7m). The individually impaired receivables relate mainly to accounts which are outside the normal credit terms. The ageing analysis of these provisions against trade receivables is as follows:

	FY23 £m	FY22 £m
Up to 60 days	**0.4**	0.2
60 to 90 days	**0.1**	0.1
Over 90 days	**1.3**	0.4
	1.8	0.7

	FY23 £m	FY22 £m
At 1 April	**0.7**	1.3
Change in provision for expected credit losses	**1.1**	(0.6)
At 31 March	**1.8**	0.7
Debtors days[1]	**52**	42

1. Trade debtor days higher mainly due to EMEA.

The carrying amount of the Group's trade and other receivables is denominated in the following currencies:

	FY23 £m	FY22 £m
UK Sterling	**4.1**	7.4
Euro	**28.0**	15.1
US Dollar	**43.7**	45.5
Japanese Yen	**1.5**	3.0
Other currencies	**1.5**	4.9
	78.8	75.9

16. Cash and cash equivalents

	FY23 £m	FY22 £m
Cash and cash equivalents	**157.5**	228.0

Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

17. Trade and other payables

	FY23[1] £m	FY22[1] £m
Trade payables	**64.2**	52.4
Taxes and social security costs	**10.2**	6.9
Other payables	**5.6**	5.5
	80.0	64.8
Accruals[2]	**47.7**	69.1
	127.7	133.9

1. Bank interest of £6.0m (FY22: £0.8m) was previously included within trade and other payables, but is now separately disclosed within borrowings.
2. Included within accruals is the refund liability of £4.5m (FY22: £4.4m) and deferred income of £1.8m (FY22: £1.4m). The balance of £41.4m (FY22: £63.3m) consists of accruals for royalties, goods received not invoiced and other accruals.

All trade and other payables are expected to be settled within 12 months of the year-end date. Due to the short-term nature of the current payables, their carrying amount is considered to be the same as their fair value. At 31 March 2023, other payables included of £5.6m (FY22: £4.4m) in relation to employment related payables, mainly the holiday pay accrual.

18. Borrowings

	FY23 £m	FY22 £m
Current		
Bank interest[1]	**6.0**	0.8
Lease liabilities (note 28)	**28.1**	19.8
Total current	**34.1**	20.6
Non-current		
Bank loans (including unamortised fees)	**293.4**	280.9
Lease liabilities (note 28)	**124.3**	93.1
Total non-current	**417.7**	374.0
Total borrowings[2]	**451.8**	394.6
Split of above (excluding lease liabilities):		
Non-current bank loans	**293.4**	280.9
Add back unamortised fees	**3.4**	4.7
Total gross bank borrowings	**296.8**	285.6

1. Bank interest was previously included within trade and other payables of £6.0m (FY22: £0.8m), but is now separately disclosed within borrowings.
2. From total borrowings, only bank loans (excluding unamortised bank fees) and lease liabilities are included in debt for bank loan covenant calculation purposes.

On 29 January 2021, the Group entered into a New Facilities Agreement, comprising a new Term Loan B facility of €337.5m (equivalent to £300.0m at that date) and a new multi-currency revolving credit facility of £200.0m. These facilities have a maturity date of 2 February 2026. Under the ancillary facility a total of £3.7m (FY22: £6.0m) has been utilised primarily related to landlord bank guarantees.

The Group value of debt as at 31 March 2023 (excluding unamortised fees and accrued interest) of £296.8m (FY22: 285.6m) is £3.2m (FY22: £14.4m) lower than the amount borrowed on 29 January 2021 due to GBP Euro exchange rate movement.

The Group's total gross borrowings (excluding lease liabilities) is denominated in the following currencies:

	FY23 £m	FY22 £m
Euro Term Loan B[1]	**296.8**	285.6
Total borrowings	**296.8**	285.6

1. Euro denominated amount €337.5m (FY22: €337.5m).

Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

18. Borrowings (continued)

Loan repayments will occur as follows:

	Term Loan B (Euro) £m
Year to 31 March	
2026 (2 February 2026) (€337.5m)	**296.8**
Total	**296.8**

Interest of the Euro Term Loan B is charged with a variable margin depending on the Group leverage over floating EURIBOR. The weighted total interest rate for this instrument in the year was 3.57% (FY22: 2.75%).

Implementation of alternative benchmark interest rates

Following the cessation of several 'Inter Bank Offer Rates' (IBORs) the Group has continued to transition to using alternative benchmark interest rates where appropriate, with the overall impact assessed as being immaterial.

The Group's existing £200m multi-currency revolving credit facility was transitioned to allow the continued drawing of GBP and JPY as currencies fixing against Risk Free Rates (SONIA and TONIA respectively) from LIBOR.

The Group's €337.5m Euro Term Loan B currently fixes against floating EURIBOR where, following a methodology reform of this benchmark by the European Money Markets Institute (EMMI) in 2019, no indication has been given that it is likely to cease in the near future. The Group assesses there to be no other material impact as part of the reform and has no interest rate hedge accounting relationships as at 31 March 2023.

Bank loans

	FY23 £m	FY22 £m
Revolving credit facility utilisation		
Guarantees	**3.7**	3.2
Exchange hedging contracts	**-**	2.8
Total utilised facility	**3.7**	6.0
Available facility (unutilised)	**196.3**	194.0
Total revolving facility	**200.0**	200.0
	%	%
Interest rate charged on unutilised facility	**0.83**	0.88

The bank loans are secured by a fixed and floating charge over all assets of the Group.

On 29 January 2021, the Group entered into a £200.0m multi-currency revolving credit facility available until 2 February 2026.

Fair value measurement
The fair value of the items classified as loans and borrowings is shown above. The book and fair values of borrowings are deemed to be materially equal.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

18. Borrowings (continued)

Movements in bank loans (excluding the accrual and payment of interest) were as follows:

		Cashflows			
	1 April 2022	New loans	Repayment of capital	Exchange movement	31 March 2023
	£m	£m	£m	£m	£m
Euro Term Loan B	285.6	-	-	11.2	**296.8**
Total borrowings	285.6	-	-	11.2	**296.8**

		Cashflows			
	1 April 2021	New loans	Repayment of capital	Exchange movement	31 March 2022
	£m	£m	£m	£m	£m
Euro Term Loan B	287.5	-	-	(1.9)	**285.6**
Total borrowings	287.5	-	-	(1.9)	**285.6**

19. Provisions

	Other provisions	Property provisions	Total
	£m	£m	£m
At 1 April 2021	**0.1**	1.5	**1.6**
Arising during the year	**-**	0.4	**0.4**
Amounts utilised	**(0.1)**	-	**(0.1)**
At 31 March 2022	**-**	1.9	**1.9**
Arising during the year	**-**	2.7	**2.7**
Amounts utilised	**-**	(0.2)	**(0.2)**
At 31 March 2023	**-**	**4.4**	**4.4**

The property provisions relate to the estimated repair and restatement costs for retail stores at the end of the lease. The provisions are not discounted for the time value of money as this is not considered materially different from the current cost.

20. Derivative assets and liabilities

	FY23	FY22
	£m	£m
Assets		
Exchange forward contracts – Current	**0.5**	0.9
Liabilities		
Exchange forward contracts – Current	**(1.3)**	(0.5)

Derivative financial instruments consist of exchange forward contracts, which are categorised within Level 2 (refer to note 2.17 for details on fair value hierarchy categorisation). The full fair value of a derivative which is designated in a hedge accounting relationship is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the maturity of the hedged item is less than 12 months.

Exchange forward derivatives
The Group takes a holistic approach to exchange risk, viewing exposures on Group wide net cashflow basis, seeking to maximise natural offsets wherever possible. Where considered material the Group manages its exposure to variability in GBP from foreign exchange by hedging highly probable future cashflows arising in other currencies. The Group's principal net currency exposures are to EUR, CAD, JPY and USD.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

20. Derivative assets and liabilities (continued)

The Group adopts a rolling, layered approach to hedging its operating cashflows using forward exchange contracts on an 18-month horizon. Other derivative contracts and longer tenors may be used provided these are approved by the Board and Audit and Risk Committee. The Group also utilises foreign exchange derivatives in a hedging relationship to partially hedge the foreign exchange translation risk (into functional GBP) on its term loan.

The following table represents the nominal amounts of derivatives in a continued hedge relationship as at each Balance Sheet date:

	FY23	FY22
Average exchange rate		
Cashflow hedges: sell GBP buy EUR	**1.1225**	1.1716
Cashflow hedges: sell EUR buy GBP	**1.1381**	1.1779
Nominal amounts		
Cashflow hedges: sell GBP buy EUR	**€m**	€m
Less than a year	**136.3**	107.8
More than a year but less than two years	**-**	-
Cashflow hedges: sell EUR buy GBP	**£m**	£m
Less than a year	**76.0**	39.2
More than a year but less than two years	**5.8**	8.2

21. Investments

	FY23	FY22
	£m	£m
Investments	**1.0**	-

On the 16 January 2023 the Group made an investment of £1.0m in the share capital of Generation Phoenix Ltd (GP), a company that specialises in producing a sustainable alternative to leather, and produces a recycled leather product using part processed offcuts. The investment is equivalent to 3.35% of the share capital of GP and will help to drive our sustainability strategy. As a minority equity investment, it is held at fair value though Other Comprehensive Income. The election to account for the instrument at fair value through Other Comprehensive Income was made so that any changes in value do not impact profit or loss.

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22. Financial instruments

IFRS 13 requires the classification of financial instruments measured at fair value to be determined by reference to the source of inputs used to derive fair value.

The fair values of all financial instruments, except for leases, in both years are materially equal to their carrying values. All financial instruments are measured at amortised cost with the exception of derivatives, cash amounts held within Money Market Funds, and investments in equity instruments which are measured at fair value. Derivatives and Money Market Funds are classified as Level 2 under the fair value hierarchy, and investments in equity instruments as Level 3, which is consistent with that defined in note 2.17 of the Consolidated Financial Statements for the year ended 31 March 2023.

	31 March 2023			
	Assets at amortised cost £m	Fair value through other comprehensive income £m	Fair value through profit or loss £m	Total £m
Assets as per Balance Sheet				
Investments	-	1.0	-	**1.0**
Trade and other receivables excluding prepayments and accrued income	86.3	-	-	**86.3**
Derivative financial assets – Current	-	0.5	-	**0.5**
Cash and cash equivalents	86.3	-	71.2[1]	**157.5**
	172.6	**1.5**	**71.2**	**245.3**

1. In FY23 a proportion of our cash was invested in high-quality overnight money market funds to mitigate concentration and counterparty risk.

	Liabilities at amortised cost £m	Fair value through other comprehensive income £m	Fair value through profit or loss £m	Total £m
Liabilities as per Balance Sheet				
Bank debt	293.4	-	-	**293.4**
Bank interest – Current	6.0	-	-	**6.0**
Lease liabilities – Current	28.1	-	-	**28.1**
Lease liabilities – Non-current	124.3	-	-	**124.3**
Derivative financial instruments – Current	-	1.3	-	**1.3**
Trade and other payables excluding non-financial liabilities	115.7	-	-	**115.7**
	567.5	**1.3**	**-**	**568.8**

Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

22. Financial instruments (continued)

	31 March 2022		
	Assets at amortised cost £m	Fair value through other comprehensive income £m	**Total £m**
Assets as per Balance Sheet			
Trade and other receivables excluding prepayments and accrued income	81.5	-	**81.5**
Derivative financial instruments – Current	-	0.9	**0.9**
Cash and cash equivalents	228.0	-	**228.0**
	309.5	**0.9**	**310.4**

	Liabilities at amortised cost £m	Fair value through other comprehensive income £m	**Total £m**
Liabilities as per Balance Sheet			
Bank debt[2]	280.9	-	**280.9**
Bank interest – Current[1]	0.8	-	**0.8**
Lease liabilities – Current	19.8	-	**19.8**
Lease liabilities – Non-current	93.1	-	**93.1**
Derivative financial instruments – Current	-	0.5	**0.5**
Trade and other payables excluding non-financial liabilities[1,3]	125.6	-	**125.6**
	520.2	**0.5**	**520.7**

1. Bank interest was previously included within trade and other payables of £6.0m (FY22: £0.8m), but is now separately disclosed within borrowings.
2. Bank debt as at 31 March 2022 was previously presented gross of unamortised bank fees of £4.7m. This has been represented to show it's carrying amount.
3. Trade and other payables excluding non-financial liabilities was previously reported at 31 March 2022 as £64.8m.

Group financial risk factors

The Group's activities expose it to a wide variety of financial risks including liquidity, credit and market risk (including exchange and interest rate risks). The Group's Treasury policies seek to manage residual financial risk to within the Board agreed tolerance in a cost-effective manner and taking advantage of natural offsets that exist or can be created through its operating activities. Where appropriate the Group uses derivative financial instruments to hedge certain risk exposures (for example to reduce the impacts of exchange volatility).

Risk management is carried out by a central Treasury department under policies approved by the Board of Directors and the Audit and Risk Committee. Group Finance and Treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's Regional operating units. The Board agrees written principles for overall risk management as well as written policies covering specific areas such as exchange risk, interest rate risk, credit risk and liquidity risk. These policies cover the allowable use of selective derivative financial instruments and investment management process for excess liquidity.

Notes to the Consolidated Financial Statements
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22. Financial instruments (continued)

Liquidity risk
Cashflow forecasting is regularly performed in the operating entities of the Group and aggregated by Group Treasury. Treasury monitors rolling forecasts of the Group's liquidity requirements to ensure that it has sufficient cash to meet operational needs while maintaining sufficient headroom in its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants. Surplus cash held by operating entities over and above balances required for working capital are transferred to Group Treasury to be managed centrally. Treasury policy is to invest surplus cash in high quality, short-term, interest bearing instruments including current accounts, term deposit and low volatility money market funds.

The Group continually reviews any medium to long-term financing requirements to ensure cost effective access to funding is available if and when it is needed (including any debt refinancing).

The table below sets out the contractual maturities (representing undiscounted contractual cashflows) of loans, borrowings and other financial liabilities:

	At 31 March 2023				
	Up to 3 months £m	Between 3 & 12 months £m	Between 1 & 5 years £m	More than 5 years £m	**Total £m**
Bank loans – Principal	-	-	296.8	-	**296.8**
Bank loans – Interest	7.8	8.6	37.7	-	**54.1**
Total bank loans	7.8	8.6	334.5	-	**350.9**
Lease liability	8.4	25.9	99.3	39.9	**173.5**
Derivative financial instruments	0.2	1.1	-	-	**1.3**
Trade and other payables excluding non-financial liabilities	115.7	-	-	-	**115.7**
	132.1	35.6	433.8	39.9	**641.4**

	At 31 March 2022				
	Up to 3 months £m	Between 3 & 12 months £m	Between 1 & 5 years £m	More than 5 years £m	**Total £m**
Bank loans – Principal	-	-	285.6	-	**285.6**
Bank loans – Interest[2]	2.7	5.9	22.4	-	**31.0**
Total bank loans	2.7	5.9	308.0	-	**316.6**
Lease liability[1]	6.4	18.5	73.2	29.2	**127.3**
Derivative financial instruments	-	-	0.5	-	**0.5**
Trade and other payables excluding non-financial liabilities[2,3]	125.6	-	-	-	**125.6**
	134.7	24.4	381.7	29.2	**570.0**

1. Lease liability maturity analysis as at 31 March 2022 was presented using discounted contractual cashflows. This analysis has been re-presented to show undiscounted cashflows.
2. Bank interest was previously included within trade and other payables of £6.0m (FY22: £0.8m),but is now separately disclosed within interest.
3. Trade and other payables excluding non-financial liabilities was previously reported at 31 March 2022 as £64.8m.

Credit risk
Credit risk is managed on a Group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analysing the credit risk of their new customers before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, derivative financial instruments, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. Cash investments and derivative transactions are only executed with financial institutions who hold an investment grade rating with at least one of Moody's, Standard & Poor's or Fitch rating agencies. The Group's Treasury policy defines strict limits that do not allow concentration of risk with individual counterparties.

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22. Financial instruments (continued)

For wholesale customers, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are regularly monitored. Sales to wholesale customers are settled primarily by bank transfer and retail customers are settled in cash or by major debit/credit cards. The Group has no significant concentration of credit risk as exposure is spread over a large number of customers.

Market risk
Non-UK exchange risk
The Group operates internationally and is exposed to non-UK exchange risk arising from the various currency exposures, primarily with respect to the US Dollar, Euro, Canadian Dollar and Japanese Yen. Non-UK exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in overseas operations. Non-UK exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group purchases the vast majority of its inventory from factories in Asia which are paid in US Dollars. Approximately 80% of Group EBITDA is earned in currencies other than Pounds Sterling. In addition, the Group has other currency denominated debt and investments in overseas operations whose net assets are exposed to non-UK currency translation risk upon consolidation.

Cashflow and fair value interest rate risk
The Group's interest rate risk arises from its floating rate bank debt and cash amounts held. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's bank debt borrowings are denominated in Euros, and incur interest at variable rates subject to a EURIBOR floor.

At 31 March 2023 if interest rates on bank borrowings had been 50 basis points higher or lower with all other variables held constant, the calculated pre-tax profit for the year would change by £1.5m (FY22: £1.5m).

Capital risk
The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balances. The Group's overall strategy remains consistent with that from the past few years.

The capital structure of the Group consists of net debt disclosed in note 18 and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in notes 24 and 25 and the Consolidated Statement of Changes in Equity. The Group's Board of Directors reviews the capital structure on an annual basis. The Group is not subject to any externally imposed capital requirement.

Non-UK currency risk
The Group has analysed the impact of a movement in exchange rate of the major non-GBP currencies on its EBITDA[1] (all other exchange rates remaining unchanged) as follows:

10% appreciation of currency	**FY23**	FY22
	£m	£m
US Dollar	**2.8**	2.4
Euro	**19.9**	18.0
Yen	**4.1**	3.6

1. Alternative Performance Measure 'APM' as defined in the Glossary on pages 81 and 82.

Note the US Dollar movement is lower as the Group earns US Dollars from its US business and purchases substantially all inventory in US Dollar, which provides a degree of natural offset. In addition to the above, a 10% appreciation on the Euro rate would impact annualised bank loan interest by £0.9m (FY22: £0.9m) under the terms of the new loan agreement.

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23. Deferred taxation
The analysis of deferred tax assets and liabilities is as follows:

	FY23 £m	FY22 £m
Non-current		
Assets	**11.8**	9.6
Liabilities	**(1.8)**	-
	10.0	9.6

The gross movement on the deferred income tax is as follows:

	FY23 £m	FY22 £m
Credit for the year in the Statement of Comprehensive Income	**0.4**	2.2

The deferred tax asset provided in the financial statements is supported by budgets and trading forecasts and relates to the following temporary differences:

- accelerated capital allowances are the differences between the net book value of fixed assets and their tax base;
- other temporary differences are the other differences between the carrying amount of an asset/liability and its tax base that eventually will reverse;
- unrealised profits in intra-group transactions and expenses;
- trade losses expected to be utilised in future years; and
- deferred tax on share-based payments in relation to the expected future tax deduction on the exercise of granted share options spread over the vesting period.

The movement in deferred income tax assets and liabilities during the year is as follows:

	Accelerated capital allowances £m	Unrealised intra-group profits £m	Other temporary differences £m	Tax losses £m	Share-based payments £m	Total £m
At 1 April 2021	**(0.6)**	**2.5**	**5.3**	**0.2**	**-**	**7.4**
Statement of Profit or Loss (charge)/credit	(1.4)	0.7	2.0	0.4	0.7	**2.4**
Credited directly to equity	-	-	-	-	-	**-**
Exchange	-	-	(0.2)	-	-	**(0.2)**
At 31 March 2022	(2.0)	3.2	7.1	0.6	0.7	**9.6**
Statement of Profit or Loss (charge)/credit	(0.4)	0.8	0.1	0.1	(0.4)	**0.2**
Credited directly to equity	-	-	0.2	-	-	**0.2**
Exchange	-	-	-	-	-	**-**
At 31 March 2023	**(2.4)**	**4.0**	**7.4**	**0.7**	**0.3**	**10.0**

Deferred taxation not provided in the financial statements:

	FY23 £m	FY22 £m
Tax losses[1]	**9.1**	9.3

1. This is the tax effected amount of losses that have not been provided for in the financial statements, calculated using the rate at which the losses would be expected to be used. There is £36.6m (FY22: £37.0m) of gross tax losses that have not been provided for because they are either capital losses (which can only be used against future capital gains which we are not forecasting) or they are non-trade loan relationship losses which can only be used in the same company (and are in companies we don't expect to have any loan relationship profits).

The deferred tax assets and liabilities have been measured at the corporation tax rate expected to apply to the reversal of the timing difference.

There are no material temporary differences associated with investments in subsidiaries, branches and associates and interests in joint arrangements, for which deferred tax liabilities have not been recognised.

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24. Share capital

	FY23 No.	FY23 £	FY22 No.	FY22 £
Authorised, called up and fully paid				
Ordinary shares of £0.01 each	**1,000,793,898**	**10,007,939**	1,000,222,700	10,002,227

The movements in the ordinary share capital during the year ended 31 March 2023 and 31 March 2022 were as follows:

	FY23 Shares no.	FY23 Share capital £m	FY22 Shares no.	FY22 Share capital £m
At 1 April 2022	**1,000,222,700**	**10.0**	1,000,000,100	10.0
Shares Issued	**571,198**	**-**	222,600	-
At 31 March 2023	**1,000,793,898**	**10.0**	1,000,222,700	10.0

The cost of shares purchased by the SIP Trusts is offset against the profit and loss account, as the amounts paid reduce the profits available for distribution by the Company.

25. Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share capital	Nominal value of subscribed shares.
Hedging reserve	Represents the movements in fair value on designated hedging instruments.
Capital reserve — own shares	This reserve relates to shares held by SIP Trusts as 'treasury shares'. The shares held by the SIP Trusts were issued directly to the Trusts in order to satisfy outstanding employee share options and potential awards under the employee share incentive schemes. The Company issued shares directly to the Trusts of 93,228 during the year and held 110,153 as at 31 March 2023 (31 March 2022: 16,925).
Capital redemption reserve	A non-distributable reserve into which amounts are transferred following the redemption or purchase of own shares. The reserve was created in order to ensure sufficient distributable reserves were available for the purpose of redeeming preference shares in the prior years.
Merger reserve	The difference between the nominal value of shares acquired by Dr. Martens plc (the Parent Company) in the share for share exchange with Doc Topco Limited and the nominal value of shares issued to acquire them on 11 December 2020.
Non-UK currency translation reserve	Includes translation gains or losses on translation of non-UK subsidiaries' financial statements from the functional currencies to the presentational currency.
Retained earnings	Retained earnings represent the profits of the Group made in current and preceding years, net of distributions and equity-settled share-based awards. Included in retained earnings are distributable reserves.

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26. Share-based payments

The Group has two SIP Trusts, Dr. Martens plc UK Share Incentive Plan Trust ('SIP-UK') and Dr Martens plc International Share Incentive Plan Trust ('SIP-International'), for the purpose of facilitating the holding of shares in Dr. Martens plc for the benefit of employees of the Group. The assets of the employee share trusts are held by the separate trusts, of which the Directors consider that Dr. Martens plc has control for accounting purposes.

On 29 January 2021, the Group approved the award of shares to Executive Directors and other senior executives under a new equity-settled Long Term Incentive Plan (LTIP) – the Performance Share Plan (PSP) for the Executive Directors and Global Leadership Team (GLT) and the Restricted Share Plan (RSP) for GLT direct reports. The LTIP is a discretionary share plan under which awards are approved and granted at the discretion of the Remuneration Committee.

Long Term Incentive Plan – Performance Share Plan (PSP)
Conditional awards of share options are granted to the Executive Directors and other senior managers. These awards are currently capable of vesting over the period from 9 February 2021 to the 2024 results announcement, subject to the achievement of performance conditions and continued service. The performance conditions attached to the awards are Total Shareholder Return (TSR), which is a market-based performance condition, and EPS growth, which is a non-market-based performance condition. The fair value of the TSR element of the performance conditions is calculated and fixed at the date of grant using a Stochastic options pricing model. The fair value of the EPS element of the performance conditions is reviewed at each balance sheet date and adjusted through the number of options expected to vest. The awards will generally vest to participants at the end of the vesting period subject to good and bad leaver provisions. There are no cash settlement alternatives and the Group accounts for the PSP as an equity-settled plan.

Long Term Incentive Plan – Restricted Share Plan (RSP)
Service conditional awards of shares under the RSP are granted to certain employees of the Group. The awards vest in two tranches, with 50% vesting 18 months following the grant date and 50% vesting 36 months following the grant date. The members of the RSP must be employed by the Group at the end of the vesting or service period for each tranche. If employees leave the Group after the first 50% tranche has vested but before the second 50% tranche is due to vest, the second tranche will lapse. The fair value of restricted awards is the face value of the awards at the date of grant. There are no cash settlement alternatives. The Group accounts for the restricted shares as an equity-settled plan. Full details on the performance conditions for all the LTIP awards can be found in the Remuneration Report on pages 139 to 150 of the Annual Report.

Global Bonus Scheme Share Plan
The Remuneration Committee of the Group has determined that a proportion of the annual Executive Bonus Scheme will be settled in the form of purchased Parent Company shares. There were no cancellations or modifications to the awards during the year.

Included in staff costs and accruals is £0.4m (FY22: £1.9m) in relation to expenses arising from cash-settled share-based payments.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

26. Share-based payments (continued)

Movements during the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	FY23		FY22	
	LTIP		LTIP	
	No.	**WAEP**	No.	WAEP
Outstanding at the beginning of the year	**3,187,899**	**-**	2,665,803	-
Granted	**4,593,183**	£0.00	1,017,177	£0.00
Vested	**(402,860)**	-	-	-
Forfeited	**(589,640)**	-	(495,081)	-
Outstanding at the end of the year	**6,788,582**	£0.00	3,187,899	£0.00
Weighted average contractual life remaining (years)	**1.8**	**£0.00**	1.9	£0.00

	FY23		FY22	
	Free share award		Free share awards	
	No.	**WAEP**	No.	WAEP
Outstanding at the beginning of the year	**-**	**-**	-	-
Granted	**-**	**-**	**222,600**	**£0.00**
Vested	**-**	**-**	**(205,675)**	**£0.00**
Forfeited	**-**	**-**	**(16,925)**	**-**
Outstanding at the end of the year	**-**	**-**	-	-
Weighted average contractual life remaining (years)	**-**	**-**	-	-

Fair value measurement

The following table lists the inputs to the models used for the three plans for the year ended 31 March 2023:

	FY23		
	LTIP		
	PSP	**RSP**	**RSP**
Date of grant	**15/06/2022**	**15/06/2022**	**08/12/2022**
Share price (pence)	**238**	**238**	**193**
Fair value at grant date (pence)	**205**	**238**	**193**
Exercise price (pence)	**0**	**0**	**0**
Dividend yield (%)	**Nil**	**Nil**	**Nil**
Expected volatility (%)	**50.71%**	**0**	**0**
Risk-free interest rate (%)	**2.23%**	**0**	**0**
Expected life (years)	**3 years**	**3 years**	**2.7 years**
Model used	**Monte Carlo**	**N/A**	**N/A**

	FY22				
	LTIP				
	PSP	PSP	PSP	RSP	RSP
Date of grant	06/07/2021	15/12/2021	15/12/2021	06/07/2021	15/12/2021
Share price (pence)	451	388	388	453	388
Fair value at grant date (pence)	371	301	388	453	388
Exercise price (pence)	0	0	0	0	0
Dividend yield (%)	Nil	Nil	Nil	Nil	Nil
Expected volatility (%)	54.11%	54.57%	0.00%	0.00%	0.00%
Risk-free interest rate (%)	0.10%	0.42%	0.00%	0.00%	0.00%
Expected life (years)	2.7 years	2.3 years	2.3 years	2.7 years	2.3 years
Model used	Monte Carlo	Monte Carlo	**N/A**	**N/A**	**N/A**

Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

26. Share-based payments (continued)

Volatility
For determining expected volatility, IFRS 2 requires the fair value to take into account historical volatility over the expected term. As Dr. Martens plc has been listed for less than the expected life of the plans it does not have sufficient information on historical volatility, and it computes volatility for the longest period for which trading activity is available. It also considered the historical volatility of similar entities in the same industry for the equivalent period of their listed share price history.

Free share award
On 8 October 2021, the Group granted free shares to all employees, offering all employees awards of ordinary shares in the Company at an exercise price of £nil. All awards vested on 31 March 2022 and the vesting of these share awards was dependent on continued employment from the grant date.

Share Incentive Plan (SIP)
In September 2022 the Company launched the purchase and matching element of the HMRC Approved Share Incentive Plan (SIP) known as Buy As You Earn. Employees can elect to make a monthly contribution from their monthly gross pay to purchase shares in Dr. Martens plc ('Partnership shares'). For each Partnership share acquired, the Company will award a 'Matching' share. Matching shares are subject to a three year forfeiture period.

The Matching shares fall within the scope of IFRS 2 and are classed as equity-settled share-based payments with a three year forfeiture period, due to the condition of continued service for three years from the allocation date. A new invitation to join the plan will be rolled out each year effective 1 September. On 11 November 2022, the first Matching shares were allocated to employees who had opted into the plan and purchased Partnership shares. These awards are subject to a three year forfeiture period after the date of purchase of the corresponding Partnership shares. There are no cash settlement alternatives and the Group accounts for the SIP as it is an equity-settled plan.

Included in staff costs is £0.5m (FY22: £5.2m) in relation to expenses arising from equity-settled share-based payments. Within this amount is £nil (FY22: £0.8m) in relation to the free share award and £nil (FY22: £nil) in relation to the SIP.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	FY23
	SIP
	No.
Outstanding at the beginning of the year	-
Granted	93,591
Vested	-
Forfeited	(1,273)
Outstanding at the end of the year	92,318
Weighted average contractual life remaining (years)	3 years

Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

26. Share-based payments (continued)

Fair value measurement
The following table lists the inputs to the model used for the plans for the year ended 31 March 2023:

	FY23
	SIP
Date of grant	15/09/2022
Share price (pence)	128-290
Fair value at grant date (pence)	128-290
Exercise price (pence)	-
Dividend yield (%)	-
Expected volatility (%)	-
Risk-free interest rate	-
Expected life (years)	3
Model used	N/A

Employer payroll taxes
Employer payroll taxes are being accrued, where applicable, at local rate, which management expects to be the prevailing rate when the awards are exercised, based on the share price at the reporting date. The total employer payroll taxes for the year relating to all the awards was £nil (FY22: £0.7m).

27. Financial commitments

Total future minimum lease payments (not discounted) under non-cancellable lease rentals are payable as follows:

	FY23	FY22
	£m	£m
Not later than one year	**34.3**	24.9
Later than one year and not later than five years	**99.3**	73.2
Later than five years	**39.9**	29.2
	173.5	127.3

The financial commitments note has been prepared on the basis that the lease commitments will continue to the end of the lease term and these lease breaks will not be exercised. The future minimum lease payments to the lease break are £102.8m (FY22: £84.6m).

Guarantees exist in the form of a duty deferment guarantee to HMRC for a maximum amount of £nil (FY22: £0.9m), rent guarantees to various landlords of £3.5m (FY22: £2.1m) and other guarantees of £0.2m (FY22: £0.2m). These guarantees which aggregate to £3.7m (FY22: £3.2m) are guaranteed under the revolving credit facility.

Capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	FY23	FY22
	£m	£m
Property, plant and equipment	**1.7**	0.8
	1.7	0.8

Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

27. Financial commitments (continued)

The Group has additional commitments relating to leases where the Group has entered into an obligation but does not yet have control of the underlying asset. The future lease payments to which the Group is committed, over the expected lease term, but are not recorded on the Group's Balance Sheet are as follows:

	FY23 £m	FY22 £m
Not later than one year	**1.1**	0.4
Later than one year and not later than five years	**6.6**	2.0
Later than five years	**8.5**	1.9
	16.2	4.3

28. Leases

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the year:

	FY23 £m	FY22 £m
At 1 April	**112.9**	84.8
Additions[1]	**60.6**	41.9
Reassessments	**5.5**	5.9
Disposals	**(0.8)**	-
Interest expense (note 8)	**4.8**	3.5
Lease capital and interest repayments	**(33.9)**	(24.0)
Exchange	**3.3**	0.8
At 31 March	**152.4**	112.9
Current (note 18)	**28.1**	19.8
Non-current (note 18)	**124.3**	93.1

1. Additions comprises of ROU additions less working capital of £5.9m.

The following amounts were recognised in the Statement of Profit or Loss:

	FY23 £m	FY22 £m
Depreciation expense of right-of-use assets	**32.2**	22.5
Interest expense on lease liabilities (note 8)	**4.8**	3.5
Expenses relating to short-term leases	**1.3**	1.3
Variable lease payments	**2.8**	2.0
Total operating expenses recognised in profit	**4.1**	3.3
Total amount recognised in profit	**41.1**	29.3

Variable lease payments on sales

Some leases of retail stores contain variable lease payments that are based on sales that the Group makes at the store. These payment terms are common in retail stores in some countries where the Group operates. Fixed and variable payments for the year ended 31 March 2023 were as follows:

£000's	**Fixed payments**	**Variable payments**	**Total payments**	**Estimated annual impact on rent of a 1% increase in sales**
Leases with lease payments based on sales	10.2	2.8	13.0	0.1

Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

28. Leases (continued)

Turnover related rent is where the contract states the lease rent is the higher of the fixed base rent or percentage of turnover of the store. Unless specified otherwise in the lease, turnover rent is defined as net turnover (i.e. excluding returns), not including click and collect. To verify the correct rent, the landlord often requests 'turnover certificates' on a regular basis, e.g. monthly/quarterly/annually. The rent is invoiced in arrears based on this calculation and accrued monthly. It is paid as invoiced depending on the lease terms. The fixed base element is capitalised as above and the variable element (based on turnover) is expensed to the Consolidated Statement of Profit or Loss.

Extension options

Some leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group will reassess and remeasure when there is a significant event or change in circumstances. For example, lease renewals or business decisions to exercise lease breaks. These are reviewed and embedded to the model by the Property Accountant as they occur.

£m	Lease liabilities recognised (discounted)	Potential future lease payments not included in lease liabilities (undiscounted)
Leases with lease extension options	**35.3**	**56.6**

29. Pensions

Defined contribution scheme

The Group operates a defined contribution pension scheme for its employees. The Group's contributions to this scheme were £4.7m for the year ended 31 March 2023 (FY22: £6.0m) and at 31 March 2023 £0.8m (FY22: £0.8m) remained payable to the pension fund.

Defined benefit scheme

Dr Martens Airwair Group Limited and Airwair International Limited (subsidiaries of the Group) operate a pension arrangement called the Dr. Martens Airwair Group Pension Plan (the Plan). The Plan has a defined benefit section that provides benefits based on final salary and length of service on retirement, leaving service or death. The defined benefit section closed to new members on 6 April 2002 and closed to future accrual with effect from 31 January 2006. The Plan also has a defined contribution section that provides money purchase benefits to some current and former employees.

The Plan is managed by a board of Trustees appointed in part by Airwair International Limited and in part from elections by members of the Plan. The Trustees have responsibility for obtaining valuations of the fund, administering benefit payments and investing the Plan's assets. The Trustees delegate some of these functions to their professional advisers where appropriate.

The defined benefit section of the Plan is subject to the Statutory Funding Objective under the Pensions Act 2004. A valuation of the Plan is carried out at least once every three years to determine whether the Statutory Funding Objective is met. The last valuation was carried out at 30 June 2022 which confirmed that the Plan had sufficient assets to meet the Statutory Funding Objective. The next valuation is due at 30 June 2025. The Statutory Funding Objective does not currently impact on the recognition of the Plan in these financial statements.

During the year, no discretionary benefits were awarded. There were no Plan amendments, settlements or curtailments during the year.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

29. Pensions (continued)

The weighted average duration of the defined benefit obligation is approximately 13 years (FY22: 17 years). Around 50% of the undiscounted benefits are due to be paid beyond 17 years' time, with the projected actuarial cashflows declining to zero in about 70 years.

Key risks
The defined benefit section of the Plan exposes Airwair International Limited to a number of risks:

- Investment risk. The Plan holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long term, the short-term volatility can cause additional funding to be required if a deficit emerges.
- Interest rate risk. The value of the Plan's liabilities is assessed using market yields on high quality corporate bonds to discount the liabilities. As the Plan holds assets such as equities, the value of the assets and liabilities may not move in the same way. The Plan holds derivatives to manage a proportion of the interest rate risk.
- Inflation risk. A significant proportion of the benefits under the Plan are linked to inflation. Although the Plan's assets are expected to provide a good hedge against inflation over the long term, movements in inflation expectations over the short term could lead to a deficit emerging. The Plan holds some derivatives to hedge a proportion of the potential changes in the value of the liabilities due to changes in market inflation expectations.
- Mortality risk. In the event that members live longer than assumed, a deficit could emerge in the Plan.

Although the Lloyds Banking Group Pensions Trustees Limited v. Lloyds Bank PLC (and others) court judgment on 26 October 2018 (and the subsequent court judgment on 20 November 2020) provided some clarity in respect of GMP equalisation and the obligations that this places on schemes, the actual impact of equalising the Plan's GMPs remains uncertain. An approximate allowance equivalent to 0.8% (FY22: 0.8%) of the value of the liabilities has been made in the disclosures for the impact of GMP equalisation. There were no other plan amendments, curtailments or settlements during the year.

Effect of the Plan on the Company's future cashflows
Airwair International Limited is required to agree a Schedule of Contributions with the Trustees of the Plan following a valuation, which must be carried out at least once every three years. Following the valuation of the Plan at 30 June 2022, a Schedule of Contributions was agreed under which Airwair International Limited was not required to make any contributions to the defined benefit section of the Plan (other than payments in respect of administrative expenses). Accordingly, Airwair International Limited does not expect to contribute to the defined benefit section of the Plan, although it will continue to contribute to the defined contribution section in line with the Schedule of Contributions. The next valuation of the Plan is due at 30 June 2025. If this reveals a deficit then Airwair International Limited may be required to pay contributions to the Plan to repair the deficit over time.

The amounts recognised in the Balance Sheet (under IAS 19 Employee Benefits) are determined as follows:

	FY23 **£m**	FY22 £m
Fair value of plan assets – defined benefit section	**49.5**	68.6
Present value of funded obligations – defined benefit section	**(38.4)**	(55.3)
Surplus of funded plans	**11.1**	13.3
Impact of asset ceiling	**(11.1)**	(13.3)
Net pension asset	**-**	-

Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

29. Pensions (continued)

Although the Plan has a surplus, this is not recognised on the grounds that Airwair International Limited is unlikely to derive any future economic benefits from the surplus. As such, an asset ceiling has been applied to the Balance Sheet, and the net surplus of £11.1m (FY22: £13.3m) has not been recognised on the Balance Sheet. The net surplus has been capped to £nil (FY22: £nil).

A reconciliation of the net defined benefit asset over the year is given below:

	FY23 £m	FY22 £m
Net defined benefit asset at beginning of year	**-**	-
Total defined benefit charge in the Statement of Profit or Loss	**-**	-
Remeasurement losses in the Statement of Comprehensive Income	**-**	-
Employer's contributions	**-**	-
Net defined benefit asset at end of the year	**-**	-

The amount charged to the Statement of Profit or Loss and Statement of Comprehensive Income in respect of the defined benefit section of the Plan was £nil (FY22: £nil). Costs in respect of the defined contribution section of the Plan, and other defined contribution arrangements operated by Airwair International Limited, are allowed for separately.

The remeasurements in respect of the defined benefit section of the Plan, to be shown in the Statement of Comprehensive Income, are shown below:

	FY23 £m	FY22 £m
Losses/(gains) on defined benefit assets in excess of interest	**18.3**	(1.4)
Gains from changes to demographic assumptions	**(0.4)**	-
Gains from changes to financial assumptions	**(15.4)**	(2.9)
Change in effect of asset ceiling	**(2.5)**	4.3
Total remeasurements to be shown in other comprehensive income	**-**	-

The change in defined benefit scheme assets over the year was:

	FY23 £m	FY22 £m
At 1 April	**68.6**	67.8
Interest on defined benefit assets	**1.7**	1.3
Movement on defined benefit section assets less interest	**(18.3)**	1.4
Benefits paid from the defined benefit section	**(2.5)**	(1.9)
At 31 March	**49.5**	68.6

The change in the defined benefit scheme funded obligations over the year was:

	FY23 £m	FY22 £m
At 1 April	**55.3**	59.0
Past service cost	**-**	-
Interest cost on defined benefit obligation	**1.4**	1.1
Changes to demographic assumptions	**(0.4)**	-
Changes to financial assumptions	**(15.4)**	(2.9)
Benefits paid from the defined benefit section	**(2.5)**	(1.9)
At 31 March	**38.4**	55.3

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

29. Pensions (continued)

The change in the effect of the asset ceiling over the year was as follows:

	FY23 £m	FY22 £m
At 1 April	**13.3**	8.8
Net interest charge on asset ceiling	**0.3**	0.2
Changes in the effect of the asset ceiling excluding interest	**(2.5)**	4.3
At 31 March	**11.1**	13.3

A breakdown of the assets is set out below, split between those assets that have a quoted market value in an active market and those that do not. The assets do not include any investment in shares of Airwair International Limited, nor any property owned or occupied by the Group.

	FY23 £m	FY22 £m
Assets with a quoted market value in an active market:		
Cash and other		
Domestic	**0.2**	-
	0.2	-
Assets without a quoted market value in an active market:		
Equities and property		
Domestic	**0.2**	0.5
Foreign	**4.5**	15.9
	4.7	16.4
Fixed interest bonds		
Unspecified	**9.4**	17.9
	9.4	17.9
Index linked gilts		
Domestic	**30.1**	28.6
	30.1	28.6
Alternatives		
Unspecified	**3.9**	6.3
	3.9	6.3
Property		
Unspecified	**1.0**	1.0
	1.0	1.0
Insured annuities		
Domestic	**0.9**	1.3
	0.9	1.3
Cash and other		
Domestic	**1.0**	3.0
Foreign	**-**	0.1
Unspecified	**(1.7)**	(5.9)
	(0.7)	(2.8)
Fair value of plan assets	**49.5**	68.7

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

29. Pensions (continued)

A full actuarial valuation was carried out at 30 June 2022. The results of that valuation were updated to 31 March 2023 by a qualified independent actuary. The principal assumptions selected by Airwair International Limited and used by the actuary to calculate the Plan's defined benefit obligation were:

		FY23 £m	FY22 £m
Discount rate		**4.8%**	2.6%
Inflation assumption (RPI)		**3.3%**	3.6%
Inflation assumption (CPI)		**2.6%**	2.9%
LPI pension increases subject to 5% cap		**3.2%**	3.5%
LPI pension increases subject to 3% cap		**2.5%**	2.7%
Revaluation in deferment		**2.6%**	2.9%
Post retirement mortality assumption		**105% (males) and 111% (females) of S3PA tables, with allowance for future improvements in line with the CMI_2021 core projection model using 7.5% 2020 and 2021 weight parameters, a long term rate of improvement of 1.0% p.a. and an initial addition of 0.2%**	100% for males and 102% for females of the S3PA tables with CMI_2020 projections using a 0% 2020 weight parameter, a long term improvement rate of 1.00% p.a. and no initial addition
Tax free cash		**Members are assumed to take 50% of the maximum tax free cash possible**	Members are assumed to take 50% of the maximum tax free cash possible
Proportion married at retirement or earlier death		**80% of male members and 65% of female members are assumed to be married at retirement or earlier death**	70%
Age difference		**Males three years older than dependant, females one year younger than dependant**	Males three years older than dependant, females three years younger than dependant
Assumed life expectancies on retirement at age 65 are:			
Retiring today:	Male	**21.3**	21.8
	Female	**23.4**	24.0
Retiring in 20 years' time:	Male	**22.3**	22.8
	Female	**24.5**	25.2

Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

29. Pensions (continued)

The key sensitivities of the defined benefit obligation to the actuarial assumptions are shown below:

	FY23 £m	FY22 £m
Discount rate		
Plus 0.5%	**(2.2)**	(4.2)
Minus 0.5%	**2.4**	4.7
Plus 1.0%	**(4.4)**	N/A
Minus 1.0%	**5.5**	N/A
Rate of inflation		
Plus 0.5%	**0.9**	4.1
Minus 0.5%	**(0.7)**	(3.7)
Life expectancy		
Plus 1.0 year	**1.4**	2.6
Minus 1.0 year	**(1.4)**	(2.6)

The sensitivity illustrations set out above are approximate. They show the likely effect of an assumption being adjusted while all other assumptions remain the same. Only the impact on the liability value (i.e. the defined benefit obligation) is considered – in particular:

- no allowance is made for any changes to the value of the Plan's invested assets in scenarios where interest rates or market inflation expectations change; and
- no allowance is made for changes in the value of the annuity policies held by the Plan, which is calculated using the same actuarial assumptions as for the Plan's defined benefit obligation.

Such changes to the asset values would be likely to partially offset the changes in the defined benefit obligation.

The net Balance Sheet and Statement of Profit or Loss are not sensitive to the actuarial assumptions used at the current time, due to the effect of the asset ceiling.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

30. Related party transactions

Transactions with related parties
Transactions between the Company and its wholly owned subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. A list of investments in subsidiary undertakings can be found in note 12 to the Parent Company financial statements.

	FY23 £'000	FY22 £'000
Alter Domus[1]		
Amounts incurred	**-**	29.4
Amounts payable by/(owed) at year end	**-**	-
Genesys[1]		
Amounts incurred	**159.6**	40.9
Amounts payable by/(owed) at year end	**(4.7)**	(0.6)
Klarna[1]		
Amounts incurred	**484.4**	187.6
Amounts payable by/(owed) at year end	**-**	46.6
TeamViewer[1]		
Amounts incurred	**17.1**	6.0
Amounts payable by/(owed) at year end	**-**	-
Zendesk[1]		
Amounts incurred	**156.9**	-
Amounts payable by/(owed) at year end	**-**	-

1. Alter Domus, Genesys, Klarna, TeamViewer and Zendesk are related to the Group as they provide services or have a transactional relationship with the Group and are all investments within funds advised by Permira Advisers LLP. The Group's largest investor, IngreLux S.àr.l., is also owned by funds advised by Permira Advisers LLP.

Key management personnel compensation
The compensation of key management (including Executive Directors) for the year was as follows:

	FY23 £m	FY22 £m
Salaries and benefits	**5.5**	8.7
Pensions	**0.2**	0.2
LTIPs – Share-based payments	**0.9**	2.7

31. Events after the reporting period

The Group will seek the necessary approvals at its forthcoming AGM for an initial share buyback programme of £50m. The buyback will involve shares worth £50m being purchased from the open market and cancelled upon redemption.

Parent Company Balance Sheet

As at 31 March 2023

Company registration number 12960219

	Note	Total FY23 £m	Total FY22 £m
Fixed assets			
Investments	6	**1,413.4**	1,413.4
		1,413.4	1,413.4
Current assets			
Debtors	7	**1.7**	34.0
Cash and cash equivalents	8	**0.2**	-
		1.9	34.0
Total assets		**1,415.3**	1,447.4
Current liabilities			
Trade and other payables	9	**(10.5)**	(30.9)
Total liabilities		**(10.5)**	(30.9)
Net assets		**1,404.8**	1,416.5
Equity			
Called up share capital	10	**10.0**	10.0
Capital reserve – own shares	11	**-**	-
Capital redemption reserve	11	**-**	-
Retained earnings	11	**1,394.8**	1,406.5
Total equity		**1,404.8**	1,416.5

As permitted by section 408 of the Companies Act 2006, the Company's Statement of Profit and Loss has not been included in these financial statements.

The Company generated a profit for the year to 31 March 2023 of £46.2m (FY22: £17.0m).

The notes on pages 73 to 77 are an integral part of these financial statements.

The financial statements on pages 71 to 77 were approved and authorised by the Board of Directors on 31 May 2023 and signed on its behalf by:

Kenny Wilson
Chief Executive Officer

Jon Mortimore
Chief Financial Officer

Parent Company Statement of Changes in Equity

For the year ended 31 March 2023

	Note	Share capital £m	Capital reserve – own shares £m	Capital redemption reserve £m	Retained earnings[1] £m	Total equity[1] £m
At 1 April 2021		**10.0**	**-**	**-**	**1,396.5**	**1,406.5**
Comprehensive income						
Profit for the year		-	-	-	17.0	**17.0**
Total comprehensive income for the year		-	-	-	17.0	**17.0**
Dividends paid	5	-	-	-	(12.2)	**(12.2)**
Shares issued	10	-	-	-	-	**-**
Share-based payments		-	-	-	5.2	**5.2**
At 31 March 2022		**10.0**	**-**	**-**	**1,406.5**	**1,416.5**
Comprehensive income						
Profit for the year		-	-	-	46.2	**46.2**
Total comprehensive income for the year		-	-	-	**46.2**	**46.2**
Dividends paid	5	-	-	-	(58.4)	**(58.4)**
Shares issued	10	-	-	-	-	**-**
Share-based payments		-	-	-	0.5	**0.5**
At 31 March 2023		**10.0**	**-**	**-**	**1,394.8**	**1,404.8**

1. The profits of Dr. Martens plc (the Company) for the year have been received in the form of dividends from subsidiary. The Directors consider that, based on the nature of these receivables and the available cash resources of the Group and other accessible sources of funds, at 31 March 2023, the Company has distributable reserves of £1,377.5m (FY22: £1,389.8m).

Notes to the Parent Company Financial Statements

For the year ended 31 March 2023

1. **General information**

   Dr. Martens plc (the 'Company') is a public company limited by shares incorporated in the United Kingdom, and registered and domiciled in England and Wales, whose shares are traded on the London Stock Exchange. The Company's registered office is: 28 Jamestown Road, Camden, London NW1 7BY. The principal activity of the Company and its subsidiaries (together referred to as the 'Group') is the design, development, procurement, marketing, selling and distribution of footwear, under the Dr. Martens brand.

2. **Accounting policies**

   The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to the periods presented, unless otherwise stated. Amounts are presented in GBP and to the nearest million pounds (to one decimal place) unless otherwise noted.

Basis of preparation

The financial statements of the Company have been prepared in accordance with Companies Act 2006, and Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101'). The financial statements have been prepared on a going concern basis under the historical cost convention. FRS 101 enables the financial statements of the Company to be prepared in accordance with IFRS but with certain disclosure exemptions. The main areas of reduced disclosure are in respect of equity-settled share-based payments, financial instruments, the Statement of Cash Flows, and related party transactions with Group companies. The accounting policies adopted for the Company are otherwise consistent with those used for the Group which are set out on pages 24 to 37. As permitted by Section 408 of the Companies Act 2006, the Statement of Profit or Loss of the Company is not presented as part of the financial statements.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in the significant judgements and estimates section.

Financial Report Standard 101 – reduced disclosure exemptions

The change in basis of preparation has enabled the Company to take advantage of the applicable disclosure exemptions permitted by FRS 101 in the financial statements. The following disclosures have not been provided as permitted by FRS 101:

- a cashflow statement and related notes;
- a comparative period reconciliation for share capital;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRS;
- disclosures in respect of the compensation of key management personnel as required;
- statement of compliance with all IFRS; and
- an opening statement of financial position at the date of transition.

The Company has also taken the exemption under FRS 101 available in respect of the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 (Share-based Payment) in respect of Group settled share-based payments as the Consolidated Financial Statements of the Company include the equivalent disclosures.

First time application of FRS 101

In the current year the Company has adopted FRS 101. In previous years the financial statements were prepared in accordance with United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice, UK GAAP).

The Company has revised its accounting policies in accordance with FRS 101, however this change in the basis of preparation has not materially altered the recognition, measurement and disclosure requirements previously applied in accordance with UK GAAP. The Company has elected to measure its investment in subsidiary using a deemed cost, being the previous GAAP carrying amount.

Notes to the Parent Company Financial Statements
For the year ended 31 March 2023

2. Accounting policies (continued)
Basis of preparation (continued)
Recognition and measurement bases for financial statement line items have not been altered as a result of this transition with the exception of the application of IFRS 9 for intercompany debtor balances, however this has not resulted in a material change in the provision recognised.

The Company is required to inform its shareholders and provide a reasonable opportunity for its shareholders to object to the use of FRS 101. A shareholder or shareholders holding, in aggregate, 5% or more of the total allotted shares in Dr. Martens plc may object to the Company applying FRS 101 'Reduced Disclosure Framework' to its individual financial statements by notifying the Company Secretary, in writing, at the registered address of the Company shown on page 83 by 13 July 2023.

Going concern
The financial statements have been prepared on a going concern basis. The ability of the Company to continue as a going concern is contingent on the ongoing viability of the Group. The Directors have considered the business activities, as well as the principal risks, the other matters discussed in connection with the viability statement, and uncertainties faced by the business. Based on this information, and the Group's trading and cashflow forecasts, the Directors are satisfied that the Group will maintain an adequate level of resources to be able to operate during the period under review. Refer to note 2.5 of the Consolidated Financial Statements for further information.

Distributable reserves
When making a distribution to shareholder, the Directors determine the profits available for distribution by reference to guidance on realised and distributable profits under Companies Act 2006 issued by the Institute of Chartered Accountants in England and Wales.

Investments
Investments are stated at cost less any provision for impairment.

Share-based payments
The Company provides benefits to employees in the form of share-based payment transactions, whereby employees render services as consideration in exchange for equity instruments ('equity-settled transactions'). Refer to note 2.23 of the Consolidated Financial Statements for further information.

Dividends
Final dividends are recorded in the financial statements in the period in which they are approved by the Company's shareholders. Interim dividends are recorded in the period in which they are approved and paid.

Significant judgements and estimates
The following judgements have had the most significant effect on amounts recognised in the financial statements:

Investments
The Company assesses, at each reporting date, whether there is an indication that any investment may be impaired. If any indication exists, or when annual impairment testing for an investment is required, the Company estimates the investment's recoverable amount. In assessing an investment's recoverable amount, the estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

3. Staff costs
Other than the Directors, the Company had no employees during the year (FY22: none). Details of Directors' remuneration can be found in note 7 to the Consolidated Financial Statements and in the Remuneration report on pages 139 to 150 of the Annual Report.

4. Auditor's remuneration
The Company has incurred audit fees of £20,000 with PwC (FY22: EY £15,750) for the year.

Notes to the Parent Company Financial Statements
For the year ended 31 March 2023

5. Dividends

Details in respect of dividends proposed and paid during the year by the Company are included in note 11 to the Consolidated Financial Statements.

6. Investments

	FY23 £m	FY22 £m
At 1 April	**1,413.4**	1,413.4
Acquisitions	**-**	-
At 31 March	**1,413.4**	**1,413.4**

The Company's investment was tested for impairment and no charge was made in the current year (FY22: £nil).

The results of the Company's impairment tests are dependent upon estimates and judgements made by management. Sensitivity analysis to potential changes in key assumptions have been reviewed and there are no reasonable possible changes to key assumptions that would cause the carrying amount to exceed its recoverable amount.

A list of the Company's investments in subsidiary undertakings can be found in note 12.

7. Debtors

	FY23 £m	FY22 £m
Social security and other taxes	**-**	0.1
Prepayments and accrued income	**0.8**	0.5
Amounts owed by subsidiary undertakings[1]	**0.9**	33.4
	1.7	34.0

1. Amounts owed by subsidiary undertakings are non-interest bearing trading balances and are repayable on demand.

IFRS 9 expected credit losses have been assessed as immaterial in relation to both balances.

8. Cash and cash equivalents

	FY23 £m	FY22 £m
Cash and cash equivalents	**0.2**	-

9. Trade and other payables

	FY23 £m	FY22 £m
Trade creditors	**0.1**	0.5
Amounts due to subsidiary undertakings[1]	**10.3**	27.8
Accruals and deferred income	**0.1**	2.4
Taxation	**-**	0.2
	10.5	30.9

1. Amounts owed to subsidiary undertakings are non-interest bearing trading balances and are repayable on demand.

10. Called up share capital

	FY23 No.	FY23 £m	FY22 No.	FY22 £m
Authorised, called up and fully paid				
Ordinary shares of £0.01 each	**1,000,793,898**	**10.0**	1,000,222,700	10.0

For details of share transactions during the year, refer to note 24 of the Consolidated Financial Statements.

Notes to the Parent Company Financial Statements
For the year ended 31 March 2023

10. Called up share capital (continued)

The movements in the ordinary share capital during the year ended 31 March 2023 and 31 March 2022 were as follows:

	FY23 Shares no.	**FY23 Share capital £m**	FY22 Shares no.	FY22 Share capital £m
At 1 April 2022	**1,000,222,700**	**10.0**	1,000,000,100	10.0
Shares Issued	**571,198**	**-**	222,600	-
At 31 March 2023	**1,000,793,898**	**10.0**	1,000,222,700	10.0

The cost of shares purchased by the SIP Trusts is offset against the profit and loss account, as the amounts paid reduce the profits available for distribution by the Company.

11. Reserves

Reserve	**Description and purpose**
Share capital	Nominal value of subscribed shares.
Capital reserve – own shares	This reserve relates to shares held by SIP Trusts as 'treasury shares'. The shares held by the SIP Trusts were issued directly to the Trusts in order to satisfy outstanding employee share options and potential awards under the employee share incentive schemes. The Company issued shares directly to the Trusts of 93,228 during the year and held 110,153 as at 31 March 2023 (31 March 2022: 16,925).
Capital redemption reserve	A non-distributable reserve into which amounts are transferred following the redemption or purchase of own shares. The reserve was created in order to ensure sufficient distributable reserves were available for the purpose of redeeming preference shares in the prior years.
Retained earnings	To recognise the profit or loss, all other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere, and the value of equity-settled share-based awards provided to Executive Directors and other senior executives as part of their remuneration (refer to note 26 of the Consolidated Financial Statements for further details).

Notes to the Parent Company Financial Statements
For the year ended 31 March 2023

12. Subsidiary undertakings

The registered address and principal place of business of each subsidiary undertaking are shown in the footnotes below the table. The financial performance and financial position of these undertakings have been consolidated in the Consolidated Financial Statements.

Name	Country of registration	Class of share capital held	Nature of investment Direct	Nature of investment Indirect	Nature of business
Airwair (1994) Limited[1]	England and Wales	£1 Ordinary shares	-	100%	Management company
Airwair (1996) Limited[1]	England and Wales	£1 Ordinary shares	-	100%	Management company
Airwair International Limited[1]	England and Wales	£1 Ordinary shares	-	100%	Footwear retail and distribution
Airwair Limited[1]	England and Wales	£1 Ordinary shares	-	100%	Management company
Airwair Property Limited[1]	England and Wales	£1 Ordinary shares	-	100%	Property investment
Ampdebtco Limited[2]	England and Wales	Ordinary	100%	-	Management company
DM Airwair Germany GmbH[13]	Germany	Ordinary	-	100%	Footwear retail and distribution
DM Airwair Sweden AB[14]	Sweden	Ordinary	-	100%	Footwear retail and distribution
Dr. Martens Airwair (Ireland) Limited[12]	Republic of Ireland	Ordinary	-	100%	Footwear retail and distribution
Dr. Martens Airwair Trading (Zhuhai) Company Limited*[4]	China	Ordinary	-	100%	Manufacturing support
Dr Martens Airwair Belgium SA[8]	Belgium	Ordinary	-	100%	Footwear retail and distribution
Dr. Martens Airwair Canada Inc.[19]	Canada	Capital of no par value	-	100%	Footwear retail and distribution
Dr Martens Airwair France SAS[9]	France	Ordinary	-	100%	Footwear retail and distribution
Dr Martens Airwair Group Limited[1]	England and Wales	Ordinary	-	100%	Management company
Dr. Martens Airwair Hong Kong Limited[5]	Hong Kong	Ordinary	-	100%	Footwear retail and distribution
Dr. Martens Airwair Japan K.K.[7]	Japan	Ordinary	-	100%	Footwear retail and distribution
Dr. Martens Airwair Korea Limited[6]	Korea	Ordinary	-	100%	Footwear retail and distribution
Dr. Martens Airwair Spain S.L.U.[17]	Spain	Ordinary	-	100%	Footwear retail and distribution
Dr. Martens Airwair USA LLC[3]	USA	Capital of no par value	-	100%	Footwear retail and distribution
Dr Martens Airwair Wholesale Limited[1]	England and Wales	£1 Ordinary shares	-	100%	Footwear retail and distribution
Dr Martens Italy S.R.L.[15]	Italy	Ordinary	-	100%	Footwear retail and distribution
Dr Martens Airwair Netherlands B.V.[10]	Netherlands	Ordinary	-	100%	Footwear retail and distribution
GFM GmbH Trademarks[11]	Germany	Ordinary	-	50%	Trademark registration
Shanghai Airwair Trading Limited*[16]	China	Ordinary	-	100%	Footwear retail and distribution
Dr. Martens Airwair Poland Z.o.o.[20]	Poland	Ordinary	-	100%	Footwear retail and distribution
Dr. Martens Airwair Denmark ApS[21]	Denmark	Ordinary	-	100%	Footwear retail and distribution
Dr Martens Airwair Limited	England and Wales	Ordinary	-	100%	Dormant
Dr. Martens Sports & Leisure Limited[1]	England and Wales	£1 Ordinary shares	-	100%	Dormant
Dr Martens Airwair Singapore PTE Ltd[18]	Singapore	Ordinary	-	100%	Dormant
Dr Martens Airwair & Co. Limited[1]	England and Wales	£1 Ordinary shares	-	100%	Dormant
Dr. Martens Dept. Store Limited[1]	England and Wales	£1 Ordinary shares	-	100%	Dormant

*The financial year of this entity ends on 31 December in line with local requirements.
1. Cobb's Lane, Wollaston, Northamptonshire, England, NN29 7SW.
2. 28 Jamestown Road, Camden, London, England, NW1 7BY.
3. 16192 Coastal Hwy, Lewes, Delaware 19958, United States.
4. No. 04B, F16. Seat B, No 2021, Jiuzhou Avenue West, Zhuhai 519000, Guangdong Province, China.
5. Unit 2306-11, 23F, Sun Life Tower, The Gateway Tower 5, Harbour City, 15 Canton Road, Tsim Sha Tsui, Hong Kong.
6. 1F, Yanghwa-ro 10-gil 45, Mapo-gu, Seoul, South Korea.
7. 5-2-28 Jingumae, Shibuya, Tokyo, Japan 150-0001.
8. Avenue du Port 86C, Box 204, 1000 Brussels.
9. 5, Cité Trévise 75009 Paris.
10. Herikerbergweg 238, Luna Arena, 1101 CM Amsterdam, Netherlands.
11. Seeshaupt, Landkreis Weilheim-Schongau, Germany. Note: this entity is equity accounted not consolidated.
12. 3rd Floor Kilmore House, Park Lane, Spencer Dock, Dublin 1, Republic of Ireland.
13. 5. Etage, Plane Mühle 2 40221 Düsseldorf, Germany.
14. Blekingegatan 48, 11662 Stockholm, Sweden.
15. Via Morimondo 26–20143 Milano, Italy.
16. No. 101-217, Floor 1, No.5 Building, Alley 128, Linhong Road, Changning District, Shanghai, China.
17. C/Principe de Vergara, 112 4A Planta 28002, Madrid, Spain.
18. 77 Robinson Road, 13-00 Robinson 77, Singapore 068896.
19. 69 Wingold Avenue, Suite 107, Box 122, Toronto, Ontario, Canada M6B 1P8.
20. Rondo, Daszyńskiego 2B, 00-843 Warsaw, Poland.
21. H.C. Andersens Boulevard 38, 3. Th, 1553, København, 1553 Langebro, Denmark.

Five-year financial summary (unaudited)

For the year ended 31 March 2023

	FY23	FY22	FY21[1]	FY20	FY19	*CAGR%*
	£m	£m	£m	£m	£m	*%*
Revenue:						
Ecommerce	**279.0**	262.4	235.4	136.4	72.7	*40%*
Retail	**241.7**	185.6	99.7	165.2	126.7	*18%*
DTC	**520.7**	448.0	335.1	301.6	199.4	*27%*
Wholesale[5]	**479.6**	460.3	437.9	370.6	255.0	*17%*
	1,000.3	908.3	773.0	672.2	454.4	*22%*
Gross profit	**618.1**	578.8	470.5	401.5	260.5	*24%*
Operating expenses	**(373.1)**	(315.8)	(247.6)	(217.0)	(175.5)	*(21%)*
EBITDA[2]	**245.0**	263.0	222.9	184.5	85.0	*30%*
Profit before tax and exceptional items	**159.4**	214.3	150.2	113.0	34.1	*47%*
Profit before tax[3]	**159.4**	214.3	69.7	101.0	28.9	*53%*
Tax expense	**(30.5)**	(33.1)	(35.0)	(26.2)	(11.7)	*(27%)*
Profit after tax	**128.9**	181.2	34.7	74.8	17.2	*65%*
Earnings per share						
Basic	**12.9p**	18.1p	3.5p			
Diluted	**12.9p**	18.1p	3.5p			
Underlying earnings per share						
Basic	**12.9p**	17.4p	14.4p			
Diluted	**12.9p**	17.4p	14.4p			
Key statistics:						
Pairs sold (m)	**13.8**	14.1	12.7	11.1	8.3	*14%*
No. of stores[4]	**204**	158	135	122	109	*17%*
DTC mix %	**52%**	49%	43%	45%	44%	
Gross margin %	**61.8%**	63.7%	60.9%	59.7%	57.3%	
EBITDA %	**24.5%**	29.0%	28.8%	27.4%	18.7%	

1. Results for the year ended 31 March 2021 have been retrospectively restated in relation to a change in accounting policy for the treatment of cloud-based software. This resulted in £nil impact on cash.
2. EBITDA – earnings before exchange gains/losses, finance income/expense, income tax, depreciation and amortisation, impairment and exceptional items.
3. Post exceptional items.
4. Own stores on streets and malls operated under arm's length leasehold arrangements.
5. Wholesale revenue including distributor customers.

Five-year financial summary (unaudited)

For the year ended 31 March 2023

	FY23	**FY22**	**FY21[1]**	**FY20**	**FY19**	***CAGR%***
	£m	£m	£m	£m	£m	*%*
Revenue by region:						
EMEA	**443.0**	398.5	335.6	287.9	195.1	*23%*
America	**428.2**	382.7	295.8	252.2	161.1	*28%*
APAC	**129.1**	127.1	141.6	132.1	98.2	*7%*
	1,000.3	908.3	773.0	672.2	454.4	*22%*
Revenue mix:						
EMEA %	**44%**	44%	44%	43%	43%	
America %	**43%**	42%	38%	37%	35%	
APAC %	**13%**	14%	18%	20%	22%	
EBITDA[2] by region:						
EMEA	**146.1**	143.8	115.3	92.4	39.5	*39%*
America	**100.1**	120.0	91.9	75.4	33.0	*32%*
APAC	**33.8**	32.6	39.7	35.5	23.7	*9%*
Group support costs	**(35.0)**	(33.4)	(24.0)	(18.8)	(11.2)	*(33%)*
	245.0	263.0	222.9	184.5	85.0	*30%*
EBITDA % by region:						
EMEA	**33.0%**	36.1%	34.4%	32.1%	20.2%	
America	**23.4%**	31.4%	31.1%	29.9%	20.5%	
APAC	**26.2%**	25.6%	28.0%	26.9%	24.1%	
	24.5%	29.0%	28.8%	27.4%	18.7%	

1. Results for the year ended 31 March 2021 have been retrospectively restated in relation to a change in accounting policy for the treatment of cloud-based software. This resulted in £nil impact on cash.
2. EBITDA – earnings before exchange gains/losses, finance income/expense, income tax, depreciation and amortisation, impairment and exceptional items.

First half/second half analysis (unaudited)

For the year ended 31 March 2023

	H1			H2			FY		
	Unaudited FY23 £m	Unaudited FY22 £m	*Variance %*	**Unaudited FY23 £m**	Unaudited FY22 £m	*Variance %*	**Audited FY23 £m**	Audited FY22 £m	*Variance %*
Revenue by channel:									
Ecommerce	**88.8**	82.6	*8%*	**190.2**	179.8	*6%*	**279.0**	262.4	*6%*
Retail	**91.0**	65.9	*38%*	**150.7**	119.7	*26%*	**241.7**	185.6	*30%*
DTC	**179.8**	148.5	*21%*	**340.9**	299.5	*14%*	**520.7**	448.0	*16%*
Wholesale[4]	**238.8**	221.4	*8%*	**240.8**	238.9	*1%*	**479.6**	460.3	*4%*
	418.6	369.9	*13%*	**581.7**	538.4	*8%*	**1,000.3**	908.3	*10%*
Gross profit	**257.8**	226.6	*14%*	**360.3**	352.2	*2%*	**618.1**	578.8	*7%*
EBITDA[1]	**88.8**	88.8	-	**156.2**	174.2	*-10%*	**245.0**	263.0	*-7%*
Profit before tax[2]	**57.9**	61.3	*-5%*	**101.5**	153.0	*-34%*	**159.4**	214.3	*-26%*
Tax expense	**(13.2)**	(12.7)	*-4%*	**(17.3)**	(20.4)	*-15%*	**(30.5)**	(33.1)	*-8%*
Profit after tax	**44.7**	48.6	*-8%*	**84.2**	132.6	*-37%*	**128.9**	181.2	*-29%*
Earnings per share									
Basic	**4.5p**	4.8p	*-6%*	**8.4p**	13.3p	*-37%*	**12.9p**	18.1p	*-29%*
Diluted	**4.5p**	4.8p	*-6%*	**8.4p**	13.3p	*-37%*	**12.9p**	18.1p	*-29%*
Underlying EPS									
Basic	**4.5p**	4.8p	*-6%*	**8.4p**	12.6p	*-33%*	**12.9p**	17.4p	*-26%*
Diluted	**4.5p**	4.8p	*-6%*	**8.4p**	12.6p	*-33%*	**12.9p**	17.4p	*-26%*
Key statistics:									
Pairs sold (m)	**6.3**	6.3	-	**7.5**	7.8	*-4%*	**13.8**	14.1	*-2%*
No. of stores[3]	**174**	147	*18%*	**204**	158	*29%*	**204**	158	*29%*
DTC mix %	***43%***	*40%*	*+3pts*	***59%***	*56%*	*+3pts*	***52%***	*49%*	*+3pts*
Gross margin %	***61.6%***	*61.3%*	*+0.3pts*	***61.9%***	*65.4%*	*-3.5pts*	***61.8%***	*63.7%*	*-1.9pts*
EBITDA[1] %	***21.2%***	*24.0%*	*-2.8pts*	***26.9%***	*32.4%*	*-5.5pts*	***24.5%***	*29.0%*	*-4.5pts*
Revenue by region:									
EMEA	**179.0**	167.6	*7%*	**264.0**	230.9	*14%*	**443.0**	398.5	*11%*
America	**179.7**	147.5	*22%*	**248.5**	235.2	*6%*	**428.2**	382.7	*12%*
APAC	**59.9**	54.8	*9%*	**69.2**	72.3	*-4%*	**129.1**	127.1	*2%*
	418.6	369.9	*13%*	**581.7**	538.4	*8%*	**1,000.3**	908.3	*10%*
Revenue mix:									
EMEA %	***43%***	*45%*	*-2pts*	***45%***	*43%*	*+2pts*	***44%***	*44%*	-
America %	***43%***	*40%*	*+3pts*	***43%***	*44%*	*-1pts*	***43%***	*42%*	*+1pts*
APAC %	***14%***	*15%*	*-1pts*	***12%***	*13%*	*-1pts*	***13%***	*14%*	*-1pts*
EBITDA[1] by region:									
EMEA	**52.8**	55.2	*-5%*	**93.3**	88.6	*5%*	**146.1**	143.8	*2%*
America	**41.4**	40.0	*4%*	**58.7**	80.0	*-27%*	**100.1**	120.0	*-17%*
APAC	**13.1**	10.7	*22%*	**20.7**	21.9	*-5%*	**33.8**	32.6	*4%*
Support costs	**(18.5)**	(17.1)	*-8%*	**(16.5)**	(16.3)	*1%*	**(35.0)**	(33.4)	*5%*
	88.8	88.8	-	**156.2**	174.2	*-10%*	**245.0**	263.0	*-7%*
EBITDA[1] margin:									
EMEA	***29.5%***	*32.9%*	*-3.4pts*	***35.3%***	*38.4%*	*-3.1pts*	***33.0%***	*36.1%*	*-3.1pts*
America	***23.0%***	*27.1%*	*-4.1pts*	***23.6%***	*34.0%*	*-10.4pts*	***23.4%***	*31.4%*	*-8.0pts*
APAC	***21.9%***	*19.5%*	*+2.4pts*	***29.9%***	*30.3%*	*-0.4pts*	***26.2%***	*25.6%*	*+0.6pts*
Total	***21.2%***	*24.0%*	*-2.8pts*	***26.9%***	*32.4%*	*-5.5pts*	***24.5%***	*29.0%*	*-4.5pts*

1. EBITDA – earnings before exchange gains/losses, finance income/expense, income tax, depreciation and amortisation, impairment and exceptional items.
2. Post exceptional items.
3. Own stores on streets and malls operated under arm's length leasehold arrangements.
4. Wholesale revenue including distributor customers.

Glossary and Alternative Performance Measures (APMs)

The Group tracks a number of key performance measures (KPIs) including Alternative Performance Measures (APMs) in managing its business, which are not defined or specified under the requirements of IFRS because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measures calculated and presented in accordance with IFRS or are calculated using financial measures that are not calculated in accordance with IFRS.

The Group believes that these APMs, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional helpful information on the performance of the business. These APMs are consistent with how the business performance is planned and reported within the internal management reporting to the Board.

The Group is no longer presenting underlying operating cashflow, EBITDA post exceptional items, adjusted PBT and adjusted EPS. In previous years these metrics were introduced to present existing performance measures exclusive of exceptional costs. The Group recognised £nil exceptional costs in FY23 and FY22, as such these adjusted measures are no longer relevant.

These APMs should be viewed as supplemental to, but not as a substitute for, measures presented in the Consolidated Financial Statements relating to the Group, which are prepared in accordance with IFRS. The Group believes that these APMs are useful indicators of its performance. However, they may not be comparable with similarly titled measures reported by other companies due to differences in the way they are calculated.

Metric	Definition	Rationale	APM	KPI
Revenue	Revenue per financial statements.	Helps evaluate growth trends, establish budgets and assess operational performance and efficiencies.	No	Yes
Revenue by geographical market Revenue: EMEA Revenue: America Revenue: APAC	Revenue per Group's geographical segments.	Helps evaluate growth trends, establish budgets and assess operational performance and efficiencies.	No	Yes
Revenue by channel Revenue: ecommerce Revenue: retail Revenue: DTC Revenue: wholesale	 Revenue from Group's ecommerce platforms. Revenue from Group's own stores (including concessions). Revenue from the Group's direct-to-consumer (DTC) channel (= ecommerce plus retail revenue). Revenue from the Group's business-to-business channel, revenue to wholesale customers, distributors and franchisees.	Helps evaluate growth trends, establish budgets and assess operational performance and efficiencies.	No	Yes
Constant currency basis	Non-GBP results with the same exchange rate applied to the current and prior periods, based on the current budgeted rates.	Presenting results of the Group excluding exchange volatility.	No	No
Gross margin	Revenue less cost of sales (raw materials and consumables). Cost of sales is disclosed in the Consolidated Statement of Profit or Loss.	Helps evaluate growth trends, establish budgets and assess operational performance and efficiencies.	No	No
Gross margin %	Gross margin divided by revenue.	Helps evaluate growth trends, establish budgets and assess operational performance and efficiencies.	Yes	No

Glossary and Alternative Performance Measures (APMs) (continued)

Metric	Definition	Rationale	APM	KPI
Opex	Selling and administrative expenses and finance expenses less depreciation, amortisation, foreign exchange gains/(losses) and finance expense.	Opex is used to reconcile between gross margin and EBITDA.	Yes	No
EBITDA	Profit/(loss) for the year before income tax expense, financing expense, exchange gains/(losses), depreciation of right-of-use assets, depreciation, amortisation and exceptional items. Exceptional items are material items that are considered exceptional in nature by virtue of their size and/or incidence.	EBITDA is used as a key profit measure because it shows the results of normal, core operations exclusive of income or charges that are not considered to represent the underlying operational performance.	Yes	Yes
EBITDA %	EBITDA divided by revenue.	Helps evaluate growth trends, establish budgets and assess operational performance and efficiencies.	Yes	Yes
Operating cashflow	EBITDA less change in net working capital, share-based payment expense and capital expenditure.	Operating cashflow is used as a trading cash generation measure because it shows the results of normal, core operations exclusive of income or charges that are not considered to represent the underlying operational performance.	Yes	Yes
Operating cashflow conversion	Operating cashflow divided by EBITDA.	Used to evaluate the efficiency of a company's operations and its ability to employ its earnings toward repayment of debt, capital expenditure and working capital requirements.	Yes	Yes
Free cashflow	Operating cashflow less cash outflows for exceptional items, net interest paid, taxation, and lease liabilities.	Free cashflow is used as a net cashflow measure for the Group before changes in the debt/capital structure.	Yes	No
Consolidated non-GAAP Statement of Cashflows	Movement in cashflows from EBITDA.	To aid the understanding of the reader of the financial statements of how the Group's cash and cash equivalents changed during the period, including cash inflows and outflows in the period.	Yes	No
Earnings per share	IFRS measure	This indicates how much money a company makes for each share of its stock, and is a widely used metric to estimate company value.	No	Yes
Basic earnings per share	The calculation of earnings per ordinary share is based on earnings after tax and the weighted average number of ordinary shares in issue during the period/year.	A higher EPS indicates greater value because investors will pay more for a company's shares if they think the company has higher profits relative to its share price.	No	Yes
Diluted earnings per share	Calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period/year plus the weighted average number of ordinary shares that would have been issued on the conversion of all dilutive potential ordinary shares into ordinary shares.	Used to gauge the quality of EPS if all convertible securities were exercised.	No	No
Underlying EPS (previously normalised adjusted EPS)	EPS is calculated as earnings before taking into account exceptional items, preference share interest and prior year tax deductions.	Reconciliation of EPS from the Remuneration Committee Report.	Yes	Yes
Ecommerce mix %	Ecommerce revenue as a percentage of total revenue.	Helps evaluate progress towards strategic objectives.	No	Yes
DTC mix %	DTC revenue as a percentage of total revenue.	Helps evaluate progress towards strategic objectives.	No	Yes
No. of stores	Number of 'own' stores open in the Group.	Helps evaluate progress towards strategic objectives.	No	Yes
Pairs	Pairs of footwear sold during a period.	Used to show volumes and growths in the Group.	No	Yes

Company Information

Shareholders' enquiries
Any shareholder with enquiries relating to their shareholding should, in the first instance, contact our registrar, Equiniti, using the telephone number or address on this page.

Electronic shareholder communications
Shareholders can elect to receive communications by email each time the Company distributes documents, instead of receiving paper copies. This can be done by registering via Shareview at no extra cost, at **www.shareview.co.uk**. In the event that you change your mind or require a paper version of any document in the future, please contact the registrar.

Access to Shareview allows shareholders to view details about their holdings, submit a proxy vote for shareholder meetings and notify a change of address. In addition to this, shareholders have the opportunity to complete dividend mandates online which facilitates the payment of dividends directly into a nominated account.

Financial calendar

Announcement of full year results	1 June 2023
Ex-dividend date for final dividend	8 June 2023
Record date for final dividend	9 June 2023
Annual General Meeting	13 July 2023
Payment date for final dividend	18 July 2023
Announcement of half year results	30 November 2023

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