



1 June 2022

Dr. Martens plc
Preliminary results for the year ended 31 March 2022

DR. MARTENS BRAND STRONGER THAN EVER; CONVICTION IN FUTURE GROWTH

"Today's strong results have been driven by our proven DTC-first strategy and continue to build upon our track record of volume-led growth. When we listed, we committed to deliver high-teens revenue growth, and today we are pleased to report 22% constant currency growth and EBITDA ahead of market expectations. Our results were achieved against unprecedented Covid-19 disruption in our supply chain, which our teams navigated with flexibility and dedication.

"We have always said that driving brand equity is our first priority, as it will ensure sustainable growth in the decades ahead. Our recent comprehensive brand survey shows that our brand is stronger than ever, with significant growth in awareness, familiarity and recent purchase. Dr. Martens remains incredibly underpenetrated globally, giving us conviction in our future growth ambition.

"We have a unique, iconic brand and thousands of passionate people globally, who act as brand custodians every day. I would like to thank each and every one of them for their hard work – these results are a testament to them." **Kenny Wilson, Chief Executive Officer**

£m	FY22	FY21¹	% change Actual	% change CC⁵
Revenue	908.3	773.0	18%	22%
EBITDA ^{2,3}	263.0	222.9	18%	28%
PBT	214.3	69.7	207%	
Adjusted ³ PBT	214.3	150.2	43%	
Profit after tax	181.2	34.7	422%	
EPS (p)	18.1	3.5	417%	
Underlying ⁴ EPS (p)	17.4	14.4	21%	
Dividend per share (p)	5.5	-		
Cash	228.0	113.6	101%	

¹ Results for the year ended 31 March 2021 have been restated retrospectively in relation to a change in accounting policy for the treatment of cloud-based software. This resulted in £nil impact on cash. See note 2.14 for further details

² EBITDA - Earnings before exchange gains/losses, finance income/expense, income tax, depreciation and amortisation

³ Before exceptional items of £nil (FY21: £80.5m) which relate to the IPO

⁴ Underlying earnings per share is calculated as earnings per share before exceptional items, preference share interest and prior year tax deductions

⁵ Constant currency applies the same exchange rate to the FY22 and FY21 non-GBP results, based on FY22 budgeted rates

Financial highlights:

- Very strong performance in Americas and EMEA, with reported revenue up 29% and 19% respectively. APAC, our smallest region, was heavily impacted by ongoing Covid-19 restrictions, with revenue down 10% to £127.1m
- DTC-first strategy drove DTC (Direct-to-Consumer) revenue mix to 49%, up 6pts:
 - Ecommerce revenue up 11% and up 92% compared to FY20, with mix of 29%
 - Retail saw a very good recovery where Covid-19 restrictions were lifted, with revenue up 86% and mix at 20%, up 7pts
- Wholesale revenues up 5%, with continued elevation of the quality of our wholesale partners
- Gross margin grew 2.8pts to 63.7%, driven by increased DTC. This gross margin performance, partially offset by annualisation of Plc costs, return to business as usual spending and planned increased marketing investment, resulted in an EBITDA¹ margin of 29.0%
- The Board is proposing a final dividend of 4.28p, taking the total dividend to 5.50p. This brings the total payout ratio to 30%, from 25% in respect of the interim payout

Strategic highlights:

- Brand stronger than ever, with our recent comprehensive annual brand survey showing awareness of 72%, up 4pts; familiarity of 47%, up 6pts; and last 24month purchased of 8%, up 2pts
- Excellent performance of EMEA conversion markets, with good growth in Germany and constant currency revenues in Italy up 122% in H2
- Wholesale order book for AW22 has been written, based on the higher AW22 prices previously communicated, with strong demand from wholesale customers
- Consumer pricing study to be repeated this summer, and we envisage further pricing headroom as we continue to invest in our brand and product proposition
- 24 new stores opened in FY22 and FY23 store opening guidance has increased driven by accelerated USA store rollout
- Continued investment in sustainability, with detailed roadmaps created to enable us to achieve our long-term commitments. In April 2022 we launched the first trial of a repair and resale offering, which is delivering encouraging early results

Current trading, FY23 and medium-term financial outlook

For FY23, we now expect high-teens revenue growth, with the upgrade to guidance the result of the price increases which take effect from AW22 and our expectations for volume growth remaining unchanged. In line with our strategic operating model, we continue to expect price to offset inflation through the P&L. Factory prices for FY23 are now locked in, with a 6% increase year-on-year (for both AW22 and SS23), and we have good visibility over other operating cost lines. Our wholesale order book is strong, and already confirmed at 85% of our full year expectation. DTC trading since the start of the new financial year has continued in line with our expectations.

Our medium-term guidance is unchanged. We continue to expect ecommerce to grow to at least 40% mix, with total DTC, including retail, of at least 60% mix. We expect EBITDA margin to reach 30% in the medium term, again unchanged. We view all three of these as medium-term milestones, as opposed to ceiling targets, and see potential to expand beyond these metrics in the years beyond.

Further guidance is provided on page 8.

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Presentation of results

Kenny Wilson, CEO and Jon Mortimore, CFO will be presenting the FY22 results at 09:30 (UK time) on 1 June 2022. The presentation will be streamed live, with the link to join accessible via:

<https://www.drmartensplc.com/investors/>

A playback of the presentation will be available on our corporate website after the event, at

<https://www.drmartensplc.com/investors/>

Financial calendar

The next scheduled events is EMEA Conversion Markets spotlight event on 6 July 2022.

About Dr. Martens

Dr. Martens is an iconic British brand founded in 1960 in Northamptonshire. Originally produced 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, 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 listed successfully on the main market of the London Stock Exchange on 29 January 2021 (DOCS.L) and is a constituent of the FTSE 250 index.

CEO review

Performance summary

I am proud to report that our first full year as a listed company has seen our strategy continue to deliver strong results, with revenue up 18%, or 22% constant currency, and EBITDA ahead of market expectations. We grew pairs by 10% and DTC revenue mix increased by 6pts to 49%.

These results were achieved against significant supply chain disruption due to Covid-19. Our third-party factories in south Vietnam, which account for a third of our production, were closed for over three months and we also experienced a near-doubling of global shipping times to the USA. This brought additional operational complexity and required us to prioritise allocation of inventory at peak periods into our own higher margin DTC channels. In addition, we have faced continued demand impacts from Covid-19 restrictions, most notably in our smallest region, APAC.

The Group delivered revenue of £908.3m, up 18% year-on-year, in line with the high-teens growth guidance given at the time of the IPO, and up 22% on a constant currency basis. DTC continues to grow ahead of wholesale, in line with our DOCS strategy. Our ecommerce and retail channels are mutually beneficial, with ecommerce benefitting locally when we open new own retail stores, as brand and product awareness and consumer engagement grows. Our medium-term milestones are unchanged: 60% of revenue from DTC, 40% of revenue from ecommerce and 20% from retail.

Ecommerce revenue was up 11% to represent 29% of Group revenue. Compared to FY20, ecommerce revenues were up 92% and mix up 9pts. We continue to invest in our online trading capabilities and in increased digital marketing, and benefit from the long-term shift in consumer spending to ecommerce.

Retail continues to be an important and profitable channel, allowing us to fully showcase the brand and our product range. FY22 retail revenue was £185.6m, up 86% and up 12% compared to FY20. When Covid-19 restrictions were lifted across EMEA and Americas we generally saw a very good retail recovery, ahead of our expectations. Our retail performance across all markets in APAC continued to be heavily impacted by Covid-19 restrictions, particularly in Japan and China.

We opened 24 new own stores globally, taking our total own-store estate to 158. These included two new stores in Italy and one in Spain, following the successful conversion of these markets to directly operated; seven new stores in the USA, particularly focused on the Mid-West, and two stores in Shanghai, China, as a first trial in operating directly operated stores in the country.

Wholesale allows us to reach more consumers in more places globally and we aim to have collaborative relationships with quality wholesale partners who understand and appreciate our brand. We run a tiered and focused strategy in wholesale, ensuring that a targeted product range is sold to each tier of wholesale customer, reflecting their consumer base and strategic purpose to our brand. Over the medium term we continue to expect wholesale revenues to grow in absolute terms but become a smaller part of our Group revenue in percentage terms. In FY22 wholesale revenues were £460.3m, up 5%, driven mainly by USA.

At a regional level, revenues continue to be driven by our two largest regions, with Americas revenue up 29% (33% constant currency) and EMEA up 19% (23% constant currency). In EMEA we saw a particularly strong performance in Italy, following the successful conversion to a directly operated business at the start of FY22, with constant currency revenue up 62% and up 122% in the second half. We also saw a good performance in our most established market of the UK, driven by strong demand for product categories such as shoes and sandals, with UK revenue up in line with EMEA overall. The UK accounted for 17% of Group revenue in FY22. In the Americas we saw strong growth across all channels and are especially pleased by our performance in states such as Texas where we have been opening stores and investing in brand marketing.

As anticipated, our APAC performance was impacted heavily by Covid-19, with revenue down 10% (down 5% constant currency), to account for 14% of total Group revenue. Our largest market in the region is Japan, which experienced a varying degree of Covid-19 restrictions through the year. Given the relatively high proportion of revenues generated through retail in the country this had a disproportionate impact, although when restrictions were lifted, for example in October and November, we saw a strong retail recovery, in line with the experience in other markets. Overall the performance of Japan was encouraging, with revenue up high single digit constant currency. China is a small part of our overall business, accounting for a fifth of APAC and only 3% of Group revenues. We are focused on establishing our brand and laying the foundations for the long term in this market.

We have agreed to transfer control of approximately half of our 31 Dr. Martens branded franchise stores in Japan into our own retail, at the end of FY23 when the contract expires. This has a compelling business case, as it will increase our control of the brand in this important market and enable us to drive growth harder in the years ahead. Following the transfer our DTC share in Japan will be around 75%.

FY22 EBITDA^{2,3} was £263.0m, up 18%, with an EBITDA^{2,3} margin of 29.0%, up 0.2pts. This strong performance was driven by a combination of volume and improved DTC mix, with margin partially offset by increased marketing investment, cost annualisation and a return to business as usual spending.

Group PBT before exceptional items³ was £214.3m, up 43%, with net finance costs, including unamortised loan costs and interest on lease liabilities of £15.0m. Profit after tax was £181.2m, compared to £34.7m in FY21 when we incurred £80.5m of exceptional costs related to the IPO. Underlying⁴ earnings per share were 17.4p, up 21%.

Operating cash flow³ after capex was strong at £208.1m, with conversion of 79%. As at 31 March 2022 we had cash of £228.0m (31 March 2021: £113.6m) and undrawn facilities of £189.5m.

The DOCS strategy

Across the entire organisation we act as brand custodians, focused on protecting and enhancing the brand and the business for future generations. This long-term view guides everything we do and ensures that we make the right decisions and investments for the future, as part of our long-term sustainability commitments.

Whilst the overall strategic framework is unchanged, we periodically assess and refine the strategy and focus areas to ensure that they best reflect the opportunities ahead and our key priorities. We have therefore fine-tuned the strategy, with the four pillars, 'DOCS', now:

- **D - Direct-to-consumer first.** We aim to build brand equity and drive margin expansion. This pillar includes increasing the number of own stores and expanding our own digital platforms, developing our omnichannel capabilities and building a profitable resale, repair and end of life business model.
- **O - Organisational and Operational excellence.** We are investing in and improving our organisation, operations and IT to enable growth and unlock value. This includes driving our culture with a focus on engagement and people development, building a best in class, scalable supply chain, and continuing to transform technology into a key business enabler.
- **C - Consumer connection.** Here we are focused on acquiring new consumers and driving loyalty. We aim to inspire Rebellious Self Expression, ground product innovation in icons and year-round consumer relevance, lead in sustainability through our product durability and innovation, and harness insights to drive cut-through marketing initiatives.
- **S - Support brand expansion with B2B.** We have refocused this pillar on our B2B business, which is made up of wholesale and distributors, with the aim of managing these activities holistically and purposefully. We will continue to partner with fewer and better B2B partners to reach more consumers and grow the brand further. This includes improving our B2B brand presentation and increasing controlled in-store branded spaces to enhance the consumer experience. Our conversion market strategy is also included within this pillar.

The Dr. Martens Brand

Recently we ran our comprehensive annual brand survey, to assess the health of our brand across all our primary markets. The results are highly encouraging, with global brand awareness of 72%, up 4pts; familiarity of 47%, up 6pts; and last 24 months purchased of 8%, up 2pts. Combined with the level of underpenetration of Dr. Martens, these results give us significant conviction in our growth opportunity.

Our brand continues to strengthen in our home UK market, demonstrating the growth opportunity even in our most established country. We also saw particularly strong results in Germany and Italy, as we continue to build our businesses following their conversion to directly operated. The USA results were very strong, underpinning our confidence in the DTC growth opportunity. Finally, we are very pleased by the results of the brand survey in Japan, with the franchise stores transfer enabling us to build upon this even further.

Over the summer of 2021 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. As a result, as communicated in our half year results, we are increasing prices from AW22, by approximately 8% on average globally, with the wholesale order book already written on this basis. We anticipate no impact on demand as a result of these changes. The pricing study showed that, even with the price changes, consumers believe that our products represent compelling value for money given our durability and quality. We expect our pricing headroom to increase further as we continue to invest in the brand and our product proposition. We will repeat the pricing study in summer 2022.

The Dr. Martens brand has deep resonance with consumers and we continue to increase our investment in marketing to grow consumer connection and engagement. We have a strong presence on social media, with 9.8 million followers across our platforms, up 8% year on year. On Instagram we continue to have a leading engagement rate versus our competitive set. Last year we launched on TikTok with a highly encouraging result. We now have over 300k followers, have received almost 18 million views and two million likes.

Our 'Tough As You' initiative, which enlists mentors and supports grassroot talent in the music and creative industries, goes from strength to strength. With the aid of mentors including Kojey Radical, Mahalia, Kelvyn Colt and Claire Laffut we aim to open up the music industry to marginalised groups and amplify their voices. We also brought 'Tough As You' to several festivals over the year, including the TAY Fest in Milan in October 2021. This sold-out festival over two days attracted 1200 attendees and significant consumer reach online.

Product

Our product strategy is rooted in our Originals, our most renowned styles, anchored within the 'big three' of the 1460 boot, the 1461 shoe and the 2976 Chelsea boot. Our originals category accounted for 51% of total revenue during the year. The DNA of these icons drives the rest of our product offering, ensuring that we stay true to our brand essence. The 1461 shoe and 2976 Chelsea boot grew revenues faster than the 1460 boot, in line with our strategy to broaden the originals across the 'big three'. We have also started to focus and amplify some of our other icons, most notably the Adrian loafer, which delivered significant growth across all regions and we will be investing further in this silhouette going forward to build on this for the future. In conjunction with the 1461 shoe, we've grown our wider shoe proposition, driven by the Polley Mary Janes, enabling us to expand this category of product and offer a year-round proposition.

Our Fusion range continues to be driven through platforms, predominantly the Jadon and Sinclair boots. Fusion accounted for 36% of revenue in FY22, with sandals 6% of revenue and included within Fusion. Sandals revenue grew by 23%. Sandals continue to deliver good growth with our Zebrillus collection the driving force behind this, led by the Blaire and Voss models. SS22 saw the reintroduction of Made In England (MIE) sandals, elevating and cementing our position in the sandals category in the top tiers of distribution for the most influential consumers. This was exemplified by the Jorge II, which we launched as a highly successful collaboration with Pleasures, and then as a mainline product, with very strong sell-through.

Our Casual range, which aims to broaden our consumer reach, continues to be driven by our Tract collection which saw strong growth across all regions. AW21 saw the introduction of Tarian, an evolution of Tract, delivering a more contemporary and progressive look. The launch was supported by two collaborations with Herschel and Atmos with a highly encouraging market reaction.

Innovation around our product core is crucial to build brand equity and drive repeat purchase. AW21 saw the launch of a brand new, modern, light-weight platform outsole 'Quad Neoteric'. This was launched with Marc Jacobs Heaven, with a 3 eye shoe, 8 eye boot and a sandal, with very limited quantities, followed by an inline collection, with very strong sell-through. Another example of innovation, our WinterWair collection continues to grow strongly, with our WinterGrip & WarmWair technologies driving innovation in our most iconic models, the 1460 boot and 2976 Chelsea boot. We also continue to bring innovation to our originals through colour and material amplification and see further opportunity here in the seasons ahead.

Our collaboration strategy centres around working with some of the best partners globally to bring a new lens to the brand and to drive brand heat. Key collaborations through the year included Supreme, ACW, Stussy, Suicoke and Lazy Oaf. Recently we launched a new collaboration for SS22 with The National Gallery, with very positive consumer traction. Alongside our collaborations, amplifying our craft heritage through our MIE category is a key focus area for the seasons ahead.

Supply chain

This year saw the most challenging global supply chain backdrop we have experienced, with Covid-19 resulting in factory closures in the south of Vietnam (which accounts for around a third of our global production) for over three months, and a near-doubling of shipping times from APAC to the USA. In this context our supply chain teams worked incredibly hard to keep products moving and deliver the results we're announcing today. At the time of writing, all our factories are open and operating at an average of 90% capacity, in line with our planning assumptions.

We had decided to enter FY22 with higher levels of continuity product than normal, given the uncertain environment, and this decision proved incredibly valuable as it enabled us to fulfil some of the product shortfall due to the factory closures. We prioritised inventory towards our own DTC channels, particularly during the peak Q3 trading period, delaying some wholesale orders into Q4. We also worked flexibly, sourcing increased product from other factories wherever possible.

We also benefitted from the significant work done in recent years to diversify the supply chain, moving to product dual sourcing wherever possible and expanding our geographical footprint. For AW22, our tier 1 production by geography will be approximately 30% from the south of Vietnam, 22% from the north of Vietnam, 22% from Laos, 10% from China, 8% from Bangladesh, 7% from Thailand and 1% from the UK.

The unprecedented level of disruption in the global shipping industry and a near-doubling of global sea freight shipping times, particularly to the USA, also brought with it further operational challenges and complexities. The large proportion of our product which is continuity in nature, and therefore non-seasonal, was however a significant relative advantage.

Sustainability

We create durable, high quality and timeless footwear, and these principles are rooted in a sustainable, long-term custodian approach. Again, we have increased investment in our sustainability capabilities over the past year, expanding the team and working with leading third-party advisors. In our supply chain, we maintain close relationships with a relatively small number of suppliers, and this year took steps to support some suppliers facing challenging times due to Covid-19 impacts by temporarily accelerating payments to them.

Last year we announced our key sustainability commitments, including zero waste going to landfill across the value chain by 2028 and 100% of products sold having a sustainable end of life option and, without compromising quality, all footwear being made from sustainable materials by 2040.

During FY22, our efforts have been focused predominantly on three areas. Firstly, building detailed roadmaps with near-term targets to enable us to achieve our long-term commitments. These include doing internal wear-trials on products made from alternative materials, with some encouraging early signs. Secondly, we have invested in carbon footprinting and our data capture processes. We have also worked on aligning our reporting to TCFD, which will be included in the upcoming annual report.

Thirdly, as part of our evolved DOCS strategy, we have introduced a new focus area, to build a profitable resale, repair and end of life business model, and we are excited about the future opportunities here. As a first step over the past year we have been working on the first trial of a repair and resale offering, which launched in April 2022. This trial, initially just in the UK, is currently live and delivering encouraging early results.

During the year, we also made further improvements to our business, including:

- Sourcing 100% of our leather from Leather Working Group medal rated tanneries. From AW21 this applied to all of our upper leather, and for SS22 onwards this also included all other specified leather including linings, leather goods and footbeds
- We optimised our standard shoe boxes, which are used across all regions, reducing the volume of fibre used by 25% whilst ensuring the same durability. The reduced box weight will also result in carbon savings during shipping
- In EMEA, where we use ecommerce shipping bags, we introduced a new design made from approximately 50% less plastic and which is fully recyclable. This bag is already in use in the UK and will be rolled out across EMEA in the coming year

Quarterly revenue performance

The quarterly comparatives varied significantly as we progressed through the year given the impact of Covid-19, and therefore the LY-1 growth rate provides a more meaningful picture of the underlying trend and is included in the table below. Ecommerce delivered a good performance and we saw a strong retail recovery as we progressed through the year and store restrictions were lifted.

Whilst we have good visibility of wholesale on a full year basis, given the order book nature of this business, the profile of wholesale revenues is never linear when viewed on a quarterly or half-yearly basis, due to shipment timings. In addition, we took the strategic decision to prioritise inventory towards higher margin DTC in Q3, delaying some wholesale orders into Q4. This was enabled by our strong wholesale relationships, high level of continuity product and low wholesale cancellation rate. Q4 wholesale revenue was therefore up significantly, as expected and planned.

	Q1	Q2	H1	Q3	Q4	H2
Group revenue	£147.3m	£222.6m	£369.9m	£307.0m	£231.4m	£538.4m
% change yoy	+52%	+1%	+16%	+11%	+29%	+18%
% change yoy CC	+64%	+6%	+24%	+15%	+29%	+21%
% change LY-1	+31%	+43%	+38%	+21%	+54%	+33%
Revenue by channel						
Ecommerce: % change yoy	+11%	+8%	+10%	+16%	+6%	+12%
: % change LY-1	+155%	+94%	+117%	+85%	+77%	+83%
Retail: % change yoy	n/a	+49%	+92%	+72%	+106%	+83%
: % change LY-1	(6%)	+8%	+2%	+16%	+25%	+19%
Wholesale: % change yoy	+50%	(10%)	+6%	(14%)	+26%	+4%
: % change LY-1	+19%	+44%	+33%	(10%)	+57%	+17%

Guidance

For FY23, we now expect high-teens revenue growth, with the upgrade to guidance the result of the price increases which take effect from AW22 and our expectations for volume growth remaining unchanged. In line with our strategic operating model, we continue to expect price to offset inflation through the P&L. Factory prices for FY23 are now locked in, with a 6% increase year-on-year (for both AW22 and SS23), and we have good visibility over other operating cost lines. Our wholesale order book is strong, and already confirmed at 85% of our full year expectation. DTC trading since the start of the new financial year has continued in line with our expectations.

Our medium-term guidance is unchanged. We continue to expect ecommerce to grow to at least 40% mix, with total DTC, including retail, of at least 60% mix. We expect EBITDA margin to reach 30% in the medium term, again unchanged. We view all three of these as medium-term milestones, as opposed to ceiling targets, and see potential to expand beyond these metrics in the years beyond.

For FY23 specifically, we anticipate:

- High-teens revenue growth
- FY EBITDA margins to be broadly level with FY22
- New own store openings of 25 to 35 stores, with the majority of the increase from previous guidance (of 20 to 25) due to accelerated store rollout in the USA. We now view 25 to 35 as a sensible run-rate assumption for new store openings in the medium term
- Depreciation and amortisation of £50m to £53m, including the impact of IFRS16
- Net finance costs of around £15m, including unamortised loan costs and interest on lease liabilities
- Underlying tax rate of c.20%
- Capital expenditure of around 4% to 4.5% of revenue, compared to c.3.5% previously, with the increase mainly due to the acceleration of USA store rollout, together with the timing of some IT spend from FY22
- Operating cash conversion of around 70% of EBITDA

We are proposing a final dividend of 4.28p, taking the total dividend to 5.50p. This brings the total payout ratio to 30%, from 25% at the interim stage, in the middle of the dividend policy range of 25% to 35%.

Looking at our balance sheet and cash flow, as we have previously disclosed, we have an intra-year cash swing of around 0.5x EBITDA, which means that our year-end net debt position represents the most favourable gearing ratio. The Board considers that we will have excess cash flow when we have consistently less than 1x average leverage through the year, including leases. We will then review further uses for such cash flow, including the normal dividend and potentially other returns to shareholders. Our first capital allocation priority is always to invest in the business.

As our business becomes more DTC weighted, the proportion of EBITDA and EBITDA margins generated in the second half will continue to increase. This is due both to the higher margin nature of DTC revenues, combined with the typical profile of operating costs, with spending on demand generating activities, such as marketing, being Q2 weighted in order to deliver a return over the peak Q3 DTC period. For FY23 specifically, we will also see the benefit of the pricing increases being primarily in the second half. We therefore anticipate first half EBITDA margin will decline by between 200bps and 300bps, with FY23 EBITDA margins broadly level with FY22.

CFO Financial Review

For the year ended 31 March 2022

FY22 results were very good and the financial position and liquidity of the Group further strengthened.

Results - at a glance

£m				% change		Two-year basis ("LY-1")	
		FY22	FY21 ¹	Actual	CC ⁶	FY20	Actual
Revenue	Ecommerce	262.4	235.4	11%	14%	136.4	92%
	Retail	185.6	99.7	86%	93%	165.2	12%
	DTC	448.0	335.1	34%	38%	301.6	49%
	Wholesale ⁵	460.3	437.9	5%	10%	370.6	24%
		908.3	773.0	18%	22%	672.2	35%
Gross margin		578.8	470.5	23%	29%	401.5	44%
EBITDA ^{2,3}		263.0	222.9	18%	28%	184.5	43%
Profit before tax		214.3	69.7	207%		101.0	112%
Profit before tax and exceptionals ³		214.3	150.2	43%		113.0	90%
Earnings per share (p)		18.1	3.5	417%		7.5	141%
Underlying earnings per share (p) ⁷		17.4	14.4	21%		11.8	47%
Key statistics							
	Pairs sold (m)	14.1	12.7	10%		11.1	27%
	No. of stores ⁴	158	135	17%		122	30%
	DTC mix %	49%	43%	+6pts		45%	+4pts
	Gross margin %	63.7%	60.9%	+2.8pts		59.7%	+4.0pts
	EBITDA margin % ^{2,3}	29.0%	28.8%	+0.2pts		27.4%	+1.6pts

- 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. See note 2.14 for further details.
- EBITDA - Earnings before exchange gains/losses, finance income/expense, income tax, depreciation and amortisation.
- Before exceptional items of FY22: £nil, FY21: £80.5m, FY20: £12.0m
- Own stores on streets and malls operated under arm's length leasehold arrangements.
- Wholesale revenue including distributor customers.
- Constant currency applies the same exchange rate to the FY22 and FY21 non-GBP results, based on FY22 budgeted rates.
- Underlying earnings per share is calculated as diluted earnings per share before taking into account exceptional items, preference share interest and prior year tax deduction.
- APMs are used as we believe they provide additional useful information on underlying trends.

In the prior year nearly all our own retail stores were closed at times throughout the year (as were a number of our wholesale partner stores) and therefore to provide a better picture of underlying performance we have also compared trading to FY20 ("LY-1").

Total revenue grew by 18% to £908.3m (FY21: £773.0m) and was up 22% on a CC basis. Compared to LY-1 total revenue was up 35%. The principal driver of growth was volume, with 14.1m pairs sold, up 10% (FY21: 12.7m pairs). Revenue also benefitted from strong retail recovery led by the UK and USA, driving Direct to Customer (DTC) revenue up 34% to £448.0m (FY21: £335.1m). This resulted in increased DTC revenue mix of 6pts to 49%. In addition, revenue growth also benefitted from a return to a more usual historical level of full price DTC revenue at around 90% mix, reflecting the high level of continuity products we sell and strategy of not discounting our core iconic product ranges.

Ecommerce revenue was up 11% to £262.4m (FY21: £235.4m) and was up 14% on a CC basis against a very strong period in the prior year. Compared to LY-1, ecommerce was up 92%, representing 29% revenue mix versus 20% revenue mix in LY-1. We had a good performance across all our priority markets, led by our in-market trading teams, in an environment where consumers steadily rediscovered physical retail. The exception was China, which represents only 3% of Group revenue, due to the decline in the market share of the TMall trading platform which hosts our website.

Retail revenue recovered very strongly in the year as consumers in the UK and USA in particular returned to stores. Revenue was up 86% to £185.6m (FY21: £99.7m) and grew 93% on a CC basis. Compared to LY-1, revenue was up 12%. During the year stores in the USA were open for the full period and stores in the UK re-opened from mid April. Both geographies experienced a good recovery led by strong traffic growth albeit in the UK December was weaker due to Omicron concerns. Overall traffic growth across both UK and USA remain below LY-1 partly offset by very strong in store conversion. Continental Europe had a slower recovery profile exacerbated by stricter social distancing restrictions for longer periods, with Germany particularly impacted. Retail remains an important channel for us in supporting ecommerce and brand awareness and during the year we opened 24 new stores to end the year with 158 own stores.

Wholesale revenue grew by 5% to £460.3m (FY21: £437.9m) and was up 10% on a CC basis. Compared to LY-1 revenue was up 24%. During the year our wholesale channel was most impacted by supply chain delays and, in line with our DTC strategy, we prioritised own ecommerce and retail channels during peak Q3 DTC trading period. As expected, wholesale had a very strong Q4 period as shipments caught up and satisfied customer orders.

Gross margin improved by 2.8pts to 63.7% (FY21: 60.9%) and was mainly driven by the positive impact of increased DTC revenue mix which improved by 6pts to 49%. In addition, in the prior year, working together with our wholesale partners, we agreed the cancellation of certain seasonal orders due to impact of Covid-19. This enabled us to manage our brand by clearing this product through our own ecommerce channel. This was not repeated in the current financial year and resulted in full price DTC mix increasing to more usual levels of around 90%.

During the year our supply chain cost per pair only increased 1% on a CC basis despite increases in shipping costs and other inflationary pressures. We achieved this very good result from a combination of duty related efficiencies (mainly from reducing reliance on product manufactured in China) and fixed seasonal factory contracts negotiated approximately six to nine months before a season is sold through. We have set factory prices for AW22 season (to December 2022) at +6% vs AW21 and, recently agreed SS23 season (to June 2023) also at +6% vs SS22 season.

Operating expenses increased by 28% to £315.8m (FY21: £247.6m) as follows:

£m		FY22	FY21 ¹	% change
Staff costs:	Underlying	121.5	106.7	14%
	PLC/LTIP	11.1	2.9	n/a
Other operating expenses		132.6	109.6	21%
		183.2	138.0	33%
		315.8	247.6	28%
% Revenue	Staff	13.4%	13.8%	+0.4pts
	Other	20.2%	17.8%	-2.4pts
	Total	34.7%	32.1%	-2.6pts

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. See note 2.14 for further details.

Included in staff costs was £5.9m in relation to annualisation of PLC related costs and incremental headcount in relation to our new independent NEDs and strengthening of our Group Finance and Legal functions (FY21: £2.2m) and the charge of £5.2m (FY21: £0.7m) in relation to LTIP annualisation of the IFRS 2 charge. Other operating costs increased by 33% and was mainly due to increased marketing spend (due to the strategic decision to increase spend by 0.5pts of revenue per annum), higher volume related third-party logistics costs of our distribution centres, and return to more business as usual spending post Covid-19 (represented by travel, commissions, training and IT development activity).

Exceptional costs in the year were £nil. In the prior year, exceptional costs were £80.5m and all related to the IPO which took place on 29 January 2021.

EBITDA grew by 18% to £263.0m (FY21: £222.9m) and was up 28% on a CC basis. The principal reason for growth was a combination of volume and improved DTC mix. EBITDA margin improved by 0.2pts to 29.0% (FY21: 28.8%) as follows:

	% pts
FY21	28.8%
Gross margin	+2.8pts
Annualisation ¹	-0.9pts
Marketing	-0.5pts
Return to business as usual	-1.2pts
FY22	29.0%

1. Represented by PLC related costs and IFRS 2 share-based payments.

Analysis by half year

The second half of the year was strong with revenue up 18% to £538.4m (FY21: £454.8m) and EBITDA up 28% to £174.2m (FY21: £136.6m). This was a pleasing result given the impact of Covid-19 on supply chain which resulted in us targeting higher margin DTC revenue in peak DTC Q3 period and then shipping wholesale customers their orders in Q4.

		First half			Second half		
		FY22	FY21	%	FY22	FY21	%
Revenue:	Ecommerce	82.6	75.3	10%	179.8	160.1	12%
	Retail	65.9	34.3	92%	119.7	65.4	83%
	DTC	148.5	109.6	35%	299.5	225.5	33%
	Wholesale	221.4	208.6	6%	238.9	229.3	4%
Gross margin		369.9	318.2	16%	538.4	454.8	18%
Opex		226.6	186.3	22%	352.2	284.2	24%
EBITDA		(137.8)	(100.0)	-28%	(178.0)	(147.6)	-21%
		88.8	86.3	3%	174.2	136.6	28%
Key statistics							
	Pairs sold	6.3	5.6	13%	7.8	7.1	10%
	DTC mix %	40%	34%	+6pts	56%	50%	+6pts
	Gross margin %	61.3%	58.5%	+2.8pts	65.4%	62.5%	+2.9pts
	EBITDA %	24.0%	27.1%	-3.1pts	32.4%	30.0%	+2.4pts

The Group typically generates approximately 60% revenue in the second half reflecting the peak Q3 DTC trading period and, as a result of stronger gross margin structure of DTC compared to wholesale, EBITDA margins are much higher in the second half of the year. In the second half, DTC revenue mix was +6pts resulting in second half EBITDA margin of 32.4%, 8.4pts higher than first half, as expected. The following table explains the year-on-year movement by half:

	First half	Second half	Full year
FY21 EBITDA margin	27.1%	30.0%	28.8%
Gross margin	+2.8pts	+2.9pts	+2.8pts
Annualisation	-1.3pts	-0.5pts	-0.9pts
Marketing	-1.5pts	-	-0.5pts
Return to business as usual ¹	-3.1pts	-	-1.2pts
(Decrease)/increase	-3.1pts	+2.4pts	+0.2pts
FY22 EBITDA margin	24.0%	32.4%	29.0%

1. Includes inflation

Exchange translation

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. These are calculated by translating non-UK revenue and profits at the same exchange rate year on year.

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

	£/\$			£/€			£/¥		
	FY22	FY21	%	FY22	FY21	%	FY22	FY21	%
H1	1.39	1.26	10%	1.17	1.12	4%	152	135	13%
H2	1.34	1.35	-1%	1.19	1.13	5%	154	142	8%
FY	1.37	1.31	5%	1.18	1.12	5%	153	139	10%

Change in accounting policy - cloud-based accounting

In March 2021 the International Financial Reporting Standards Interpretation Committee (IFRIC) published a decision in relation to accounting for software intangibles and customisation and configuration costs of cloud computing arrangements. As a result of this the Group has changed its capitalisation policy in relation to customisation and configuration costs resulting in a prior year restatement (in accordance with IAS 8) summarised below and described in more detail in note 2.14. The change has £nil impact on cash.

£m	FY21 reported	Change in policy	FY21 restated
Revenue	773.0	-	773.0
EBITDA	224.2	(1.3)	222.9
Profit before tax	70.9	(1.2)	69.7
Profit for the year	35.7	(1.0)	34.7
EPS (p) (diluted)	3.6p	(0.1p)	3.5p
Cash	113.6	-	113.6

The Directors consider EBITDA as the most appropriate indicator of underlying performance of the Group and year on year trends.

Region analysis

The results can be further analysed by region as follows:

£m		FY22	FY21 ¹	% change Actual	% change CC
Revenue:	EMEA	398.5	335.6	19%	23%
	Americas	382.7	295.8	29%	33%
	APAC	127.1	141.6	-10%	-5%
		908.3	773.0	18%	22%
EBITDA²:	EMEA	143.8	115.3	25%	38%
	Americas	120.0	91.9	31%	36%
	APAC	32.6	39.7	-18%	-9%
	Support costs ³	(33.4)	(24.0)	-39%	-46%
		263.0	222.9	18%	28%
EBITDA margin by region:	EMEA	36.1%	34.4%	+1.7pts	+3.8pts
	Americas	31.4%	31.1%	+0.3pts	+0.6pts
	APAC	25.6%	28.0%	-2.4pts	-1.2pts
	Total	29.0%	28.8%	+0.2pts	+1.3pts

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. See note 2.14 for further details.

2. EBITDA - Earnings before exchange gains/losses, finance income/expense, income tax, depreciation, amortisation and exceptional items.

3. 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 19% to £398.5m (FY21: £335.6m) and was up 23% on a CC basis. Ecommerce grew against a particularly strong prior period with good growth across all our priority markets. Our retail stores re-opened in the year with UK stores opening through April and Continental Europe stores opening through May and June. UK stores experienced the strongest recovery in trading with improving traffic (though still below LY-1) and very strong in store conversion, growing steadily through the year, except for the peak trading month of December, when stores were open but traffic was very weak due to Government advice to work from home due to Omicron variant. Retail recovery in Continental Europe followed a similar path to UK albeit at a much slower pace due to the timing of relaxation of social distancing measures. Our German store recovery was further impacted by lower vaccination rates in the country, resulting in relatively tighter restrictions, for a longer period.

We opened 13 new stores in the year including 5 in Germany, 3 in France, 2 in Italy and our first store in Spain. We successfully completed the conversion of Italy, Spain and Portugal from distributor to directly operated markets with the former growing revenues by 62% on a CC basis FY22 and 122% in the second half. We saw good growth in Germany as we continued to unlock the multi-year growth opportunity following conversion.

EBITDA was up 25% to £143.8m (FY21: £115.3m) and up 38% on a CC basis.

Americas

Revenue grew by 29% to £382.7m (FY21: £295.8m) and was up 33% on a CC basis. Ecommerce was very strong (against a strong comparator) and our retail stores were open throughout the year. Retail recovery followed a similar profile to UK stores with traffic improving (but still behind LY-1) and very strong in-store conversion. During the year we opened 7 new stores, in Texas (our third store in this state), LA, Chicago, Cincinnati, Philadelphia, Columbus and Seattle. Wholesale was particularly impacted by supply chain delays and our decision to prioritise DTC channels in Q3 and was also compounded by delays at port. As we expected we had a very strong Q4 period as we caught up shipments and delivered customer orders.

EBITDA was up 31% to £120.0m (FY21: £91.9m) and up 36% on a CC basis.

APAC

The region was particularly impacted by Covid-19 during the year including very strict social distancing and lockdowns which have recently been relaxed, with China continuing to experience severe lockdowns. This resulted in revenue declining by 10% to £127.1m (FY21: £141.6m) and down 5% on a CC basis. On a CC basis all markets grew with the exception of China.

Japan, which is our largest market in the region and also predominantly retail, had reasonable growth with robust retail recovery in H2 (despite Omicron related restrictions) following similar patterns to western markets. Australia (our largest distributor market in the region) saw shipments catch up in H2 with the year marginally ahead. China, which represents a fifth of APAC revenue and 3% of Group revenue, was impacted by a combination of strict Covid-19 lockdowns in certain cities throughout the year (ending the year with Shanghai in lockdown) and weak trading on TMall (which hosts our website) due to a decline in popularity of that platform.

EBITDA was down 18% to £32.6m (FY21: £39.7m) and down 9% on a CC basis as we invested in people and capacity in Shanghai (including two own stores), region infrastructure in Hong Kong, successfully launching Hong Kong onto our global ERP solution in December and also began investment in Japan ahead of planned ERP implementation later in FY23.

Support costs

Group support costs were up 39% to £33.4m (FY21: £24.0m), mainly due to the annualisation of PLC/LTIP costs. Excluding these costs, support costs increased by 14%.

Retail development

During the year, we opened 24 (FY21: 18) new own retail stores (via arm's length leasehold arrangements) as follows:

		31 March 2021	Opened	Closed	31 March 2022
EMEA:	UK	34	2	(1)	35
	Germany	10	5	-	15
	France	11	3	-	14
	Italy	1	2	-	3
	Other	12	1	-	13
		68	13	(1)	80
Americas:		34	7	-	41
APAC:	China	-	2	-	2
	Japan	22	-	-	22
	South Korea	5	2	-	7
	Hong Kong	6	-	-	6
		33	4	-	37
Total		135	24	(1)	158

The Group also trades from 37 (FY21: 49) concession counters in department stores in South Korea and a further 191 mono branded franchise stores around the world with 87 in China (FY21: 85), 31 in Japan (FY21: 32), 18 across Australia and New Zealand (FY21: 11), 46 across other South East Asia countries and the balance in EMEA.

Leases

The Group operates its own retail stores via arm's length leasehold arrangements (apart from two stores that are freehold) and also leases two DC's and its offices. The lease for the DC in Portland, USA, ends in October 2022 and will not be renewed, with capacity transferred to a new 3PL facility in LA. The second leased DC is in UK with 7 years to lease end. At 31 March 2022, the average lease term remaining across all property related leases to end of term was 5.1 years (FY21: 4.3 years), and only 3.4 years (FY21: 2.9 years) to tenant only break. The annual rent commitment was £24.9m (FY21: £22.7m) and undiscounted total lease commitment was £127.3m (FY21: £97.0m), reducing to £84.6m (FY21: £65.1m) to lease break.

At 31 March 2022 under IFRS16 accounting rules, the Group has right-of-use ('ROU') assets of £105.5m (2021: £77.4m) and lease liabilities of £112.9m (FY21: £84.8m). As described in the Viability and Going Concern statements, we reviewed all stores for impairment and concluded one store had future cash flows lower than the ROU and accordingly expensed a £0.2m impairment charge. This was due to a decision to exercise a break clause and relocate this store to a better location.

Earnings

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

£m	FY22	FY21 ¹	% change
EBITDA²	263.0	222.9	18%
Exceptional items	-	(80.5)	n/a
Depreciation and amortisation	(36.9)	(34.9)	(6%)
Foreign exchange gains	3.2	3.8	(16%)
Net interest cost on bank debt	(10.3)	(6.5)	(58%)
Non-cash interest on preference shares	-	(28.5)	n/a
Amortisation of loan issue costs/interest on lease liabilities	(4.7)	(6.6)	29%
Profit before tax	214.3	69.7	207%
Tax	(33.1)	(35.0)	5%
Earnings	181.2	34.7	422%

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. See note 2.14 for further details.

2. EBITDA - Earnings before exchange gains/losses, finance income/expense, income tax, depreciation, amortisation and exceptional items.

The Group grew profit before tax by 207% to £214.3m (FY21: £69.7m) with profit after tax of £181.2m (FY21: £34.7m).

The Group's net interest cost on bank debt was £10.3m (FY21: £6.5m). The increase compared to prior year was due to the refinancing and increase in bank loans which took place on 29 January 2021. The interest charged of £10.3m is made up of interest on bank loan of £8.1m, charge in relation to undrawn facilities of £1.7m and the remaining £0.5m relates to other fees and charges. In addition we incurred amortisation of loan issue costs and interest on lease liabilities of £4.7m. Non-cash interest on preference shares was £nil (FY21: £28.5m) as all preference shares were redeemed in full during the prior year refinancing.

The tax charge was £33.1m (FY21: £35.0m) with an effective tax rate of 15.4% which is lower than the UK corporate tax rate of 19.0% and mainly due to a prior year adjustment to tax charges. Excluding the prior year adjustment the effective tax rate was 19.5%. The prior year adjustment was principally in relation to bonus payments paid to all staff following the IPO which were treated as non-deductible in FY21. However, following a similar tax case and subsequent tax counsel advice in the UK a deduction has been taken. The following table analyses the tax charge:

	%
UK effective tax rate	19.0%
Non-UK tax rate differences	+0.5pts
Non-deductible expenses	+0.2pts
Share-based payments	-0.2pts
Before prior year adjustment	19.5%
Prior year adjustments	-4.1pts
Reported tax rate	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 FY22, this totalled, £138.4m, either directly or indirectly, to various governments.

Earnings per share was 18.1p (FY21: 3.5p) and adjusted earnings per share (excluding exceptional items of nil) was 18.1p (FY21: 11.5p). For future comparability purposes we have also calculated an underlying EPS figure of 17.4p (FY21: 14.4p) which excludes exceptional items together with legacy financing costs of preference shares and the prior year tax adjustment. The following table summarises these EPS figures:

		FY22 pence	FY21 ¹ pence	% change
Earnings per share	Basic	18.1	3.5	417%
	Diluted	18.1	3.5	417%
Exceptionals per share		-	8.0	n/a
Add back exceptionals per share				
Adjusted earnings per share²	Basic	18.1	11.5	57%
	Diluted	18.1	11.5	57%
Legacy financing per share		-	2.9	n/a
Prior year tax deduction per share		(0.7)	-	n/a
Add back normalised costs per share				
Underlying earnings per share³	Basic	17.4	14.4	21%
	Diluted	17.4	14.4	21%

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. See note 2.14 for further details.

2. Adjusted earnings per share is calculated on adjusted profit after tax, being profit after tax and before exceptional items (see note 4 for details of exceptional items).

3. Underlying earnings per share is calculated before taking into account exceptional items, preference share interest and prior year tax deductions.

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.

Dividends

In line with our progressive dividend policy and recognising the strong year end cash position, the Board has approved, and the Company has proposed a final dividend of 4.28p per share (FY21: nil pence). This will bring the total interim and final dividend for FY22 to £55.0m (5.5p), calculated as a 30.4% payout ratio. Subject to approval at the AGM on 14 July 2022, the dividend will be paid to shareholders on the register as at 10 June 2022 with payment on 19 July 2022.

£m	FY22	FY21 ¹
Earnings	181.2	34.7
FY22 Interim dividend (declared and paid): 1.22p	12.2	-
FY22 Final dividend (proposed): 4.28p	42.8	-
FY22 Total dividend (paid and proposed): 5.50p	55.0	-

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. See note 2.14 for further details.

The Board has adopted a progressive 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 cash flows 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.

Operating cash flow

Operating cash flow is summarised below:

£m	FY22	FY21 ¹
EBITDA ²	263.0	222.9
Change in net working capital ³	(35.1)	27.8
Share-based payments	5.2	0.7
Capital expenditure	(25.0)	(17.3)
Operating cash flow⁴	208.1	234.1
Operating cash conversion⁴	79%	105%

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. This resulted in £nil impact on cash. See note 2.14 for further details.

2. EBITDA – Earnings before exchange gains/losses, finance income/expense, income tax, depreciation, amortisation and exceptional items.

3. Working capital per the consolidated statement of cash flows, less exceptional items of £7.5m (FY21: £6.1m).

4. Alternative Performance Measures as defined in the Glossary on pages 77 to 78.

Operating cash generation was strong in the year at £208.1m (FY21: £234.1m) representing a cash conversion of EBITDA of 79% (FY21: 105%). In the year the increase in working capital was mainly increased inventories as we returned to more normal inventory levels post Covid-19 and higher trade debtors due to much stronger Q4 shipments to wholesale customers following supply chain disruption. Trade debtor days remain in line with previous year at 42 days. In prior year cash flow was unusually strong due to the impact of Covid-19 on inventory and trade debtors.

Capex was £25.0m (FY21: £17.3m) and represented 2.8% of revenue (FY21: 2.2%) and was higher than the prior year mainly due to the resumption of retail store openings and certain larger IT related projects that had previously been delayed. Spend included £8.7m on new stores, IT and ecommerce spend of £10.0m and supply chain and plant and equipment spend of £6.3m. Capex was lower than guidance due to timing of spend on certain IT related projects.

Net cashflow after interest

Net cashflow after interest costs is summarised below:

£m	FY22	FY21 ¹
Operating cash flow¹	208.1	234.1
Net interest paid	(10.8)	(7.4)
Payment of lease liabilities	(24.0)	(23.8)
Taxation	(41.2)	(33.1)
Free cash flow before exceptional items	132.1	169.8
Proceeds from new bank borrowings	-	300.0
Exceptional items	(7.5)	(27.0)
Preference share redemption	-	(341.4)
Net bank borrowings and facility repayments	-	(92.7)
Dividends	(12.2)	-
Net cash flow	112.4	8.7
Opening cash	113.6	117.2
Net cash foreign exchange	2.0	(12.3)
Closing cash	228.0	113.6

1. Operating cash flow and free cash flow are Alternative Performance Measures defined in the Glossary on pages 77 and 78.

2. All exceptional items paid were in relation to the IPO and refinancing event.

At 31 March 2022 the Group had cash of £228.0m compared to cash at 31 March 2021 of £113.6m. During the year the Group had a net cash inflow of £112.4m (after a dividend payment of £12.2m) driven by good cash collection and EBITDA cash conversion through the year.

Funding

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 bank debt is carried in Euros to reflect excess Euros the Group generates from trading in Continental Europe to fund interest costs (with US dollar revenue generated broadly funding US dollar purchases of inventory and GBP generated broadly funding GBP related costs).

The group financing arrangements have a total net leverage covenant test every 6 months. The total net leverage covenant test is calculated with a full 12 months of trailing EBITDA and net debt inclusive of IFRS16 lease liabilities. At 31 March 2022, the Group had total net leverage of 0.7 times giving us a significant headroom against our covenant test. If this test is calculated using average cash throughout the year (reflecting the Group's intra-year cash swing), average gearing was approximately 1 times.

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 2019), on an actuarial funding valuation basis as agreed with the Trustees, the scheme had assets with a value of £65.4m and estimated future liabilities of (technical provisions) of £60.6m, resulting in a surplus of £4.8m.

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 attributions 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 2022 the scheme has assets of £68.6m (31 March 2021: £67.8m).

The Group also operates a defined contribution scheme for its employees and during the year the Group contributions to this scheme were £6.0m (FY21: £5.8m). At 31 March 2022 this scheme had assets of £20.4m (31 March 2021: £15.5m).

Balance sheet

The balance sheet is summarised below:

£m	31 March 2022	31 March 2021
Freeholds	6.1	6.1
Right-of-use assets	105.5	77.4
Other fixed assets	53.6	45.4
Working capital	78.5	25.5
Deferred tax	9.6	7.4
Operating net assets	253.3	161.8
Goodwill	240.7	240.7
Cash	228.0	113.6
Gross bank debt	(285.6)	(287.5)
Unamortised bank fees	4.7	5.9
Lease liabilities	(112.9)	(84.8)
Net assets	328.2	149.7

The working capital balance of £78.5m (FY21: £25.5m) predominantly reflects inventory of £123.0m (FY21: £101.5m), trade and other receivables of £85.6m (FY21: £59.4m), trade and other payables of £134.7m (FY21: £133.0m) and other items (derivatives, tax and provisions). The increase in working capital was mainly increased inventory and debtors, resulting from increased sales to wholesale customers and bringing in additional inventory ahead of the coming seasons.

Equity of £328.2m can be analysed as follows:

	£m
Share capital	10.0
Hedging reserve	(0.1)
Merger reserve	(1,400.0)
Non-UK translation reserve	7.0
Retained earnings	1,711.3
Equity	328.2

Included in retained earnings is distributable reserves of £1,694.6m of which Dr. Martens plc (the Company) has distributable reserves of £1,389.8m.

Consolidated Statement of Profit or Loss

For the year ended 31 March 2022

	Notes	Total FY22 £m	Total FY21 ¹ £m
Revenue	3	908.3	773.0
Cost of sales		(329.5)	(302.5)
Gross profit		578.8	470.5
Selling and administrative expenses	4	(349.5)	(359.2)
Finance expense ²	8	(15.0)	(41.6)
Profit before tax		214.3	69.7
EBITDA	3	263.0	222.9
Exceptional items	4	-	(80.5)
EBITDA (post exceptional items)		263.0	142.4
Depreciation, amortisation and foreign exchange (losses)/gains	4	(33.7)	(31.1)
Finance expense ²	8	(15.0)	(41.6)
Profit before tax	4	214.3	69.7
Tax expense	9	(33.1)	(35.0)
Profit for the period		181.2	34.7

	Notes	FY22 £m	FY21 ¹ £m
Earnings per share			
Basic	10	18.1p	3.5p
Diluted	10	18.1p	3.5p
Adjusted³ earnings per share			
Basic	10	18.1p	11.5p
Diluted	10	18.1p	11.5p
Underlying⁴ earnings per share			
Basic	10	17.4p	14.4p
Diluted	10	17.4p	14.4p

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. See note 2.14 for further details.

2. Finance expense includes non-cash interest on preference shares of £nil (FY21: £28.5m) and on 28 January 2021 all preference shares were redeemed in full.

3. Adjusted earnings per share is calculated on adjusted profit after tax, being profit after tax before exceptional items.

4. Underlying earnings per share is calculated as earnings before exceptional items, preference share interest and prior year tax adjustments.

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

Consolidated Statement of Comprehensive income
For the year ended 31 March 2022

	Notes	Total FY22 £m	Total FY21 ¹ £m
Profit for the period		181.2	34.7
Other comprehensive income/(expense)_			
Items that may subsequently be reclassified to profit or loss			
Currency translation differences		4.3	(7.4)
Cash flow hedges		-	(1.6)
		4.3	(9.0)
Total comprehensive income for the year		185.5	25.7

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. See note 2.14 for further details.

Consolidated Balance Sheet
As at 31 March 2022

	Notes	Total FY22 £m	Total FY21 ¹ £m
Non-current assets			
Intangible assets	12	262.1	259.6
Property, plant and equipment	13	38.3	32.6
Right-of-use assets	13	105.5	77.4
Deferred tax assets	22	9.6	7.4
Pension fund surplus	29	-	-
		415.5	377.0
Current assets			
Inventories	14	123.0	101.5
Trade and other receivables	15	85.6	59.4
Income tax assets		6.1	-
Derivatives and other financial assets	20	0.9	0.3
Cash and cash equivalents	16	228.0	113.6
		443.6	274.8
Total assets		859.1	651.8
Current liabilities			
Trade and other payables	17	(134.7)	(133.0)
Borrowings - Lease liabilities	18	(19.8)	(18.2)
Derivatives and other financial liabilities	20	(0.5)	-
Income tax payable		-	(1.1)
		(155.0)	(152.3)
Non-current liabilities			
Borrowings - Bank ²	18	(280.9)	(281.6)
- Lease liabilities	18	(93.1)	(66.6)
Provisions	19	(1.9)	(1.6)
		(375.9)	(349.8)
Total liabilities		(530.9)	(502.1)
Net assets		328.2	149.7
Equity attributable to the owners of the parent			
Share capital	23	10.0	10.0
Hedging reserve	24	(0.1)	(0.1)
Capital reserve - own shares	24	-	-
Capital redemption reserve	24	-	-
Merger reserve	24	(1,400.0)	(1,400.0)
Non-UK translation reserve	24	7.0	2.7
Retained earnings	24	1,711.3	1,537.1
Total equity		328.2	149.7

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. See note 2.14 for further details.

2. Included in bank debt is £4.7m (FY21: £5.9m) of unamortised bank fees.

The notes on pages 25 to 73 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2022

		Share capital	Hedging reserve	Capital reserve - own shares	Capital redemption reserve	Merger reserve	Non-UK translation reserve	Retained earnings ^{1,2}	Total equity ¹
	Notes	£m	£m	£m	£m	£m	£m	£m	£m
At 1 April 2020		-	1.5	-	(165.8)	-	10.1	224.7	70.5
<i>Comprehensive income</i>									
Profit for the year ¹		-	-	-	-	-	-	34.7	34.7
Other comprehensive income		-	(1.6)	-	-	-	(7.4)	-	(9.0)
Total comprehensive income for the year ¹		-	(1.6)	-	-	-	(7.4)	34.7	25.7
Own shares and other equity transactions		-	-	(0.9)	-	-	-	1.2	0.3
Shares issued during the year		-	-	0.3	-	-	-	3.6	3.9
Own shares sold in the year		-	-	0.6	-	-	-	37.2	37.8
Shares issued	23	-	-	-	-	-	-	-	-
Share for share exchange	23	1,400.0	-	-	-	(1,400.0)	-	-	-
Capital reduction	23	(1,390.0)	-	-	-	-	-	1,390.0	-
Capital redemption reserve distributions	23	-	-	-	165.8	-	-	(165.8)	-
Share-based payments	26	-	-	-	-	-	-	11.5	11.5
At 31 March 2021¹		10.0	(0.1)	-	-	(1,400.0)	2.7	1,538.1	149.7
<i>Comprehensive income</i>									
Profit for the year		-	-	-	-	-	-	181.2	181.2
Other comprehensive income		-	-	-	-	-	4.3	-	4.3
Total comprehensive income for the period		-	-	-	-	-	4.3	181.2	185.5
Dividends paid	11	-	-	-	-	-	-	(12.2)	(12.2)
Shares issued	23	-	-	-	-	-	-	-	-
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

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 Enil impact on cash. See note 2.14 for further details.

2. Included within retained earnings Dr. Martens plc (the Company) has distributable reserves of £1,389.8m (FY21: £1,385.0m).

The notes on pages 25 to 73 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2022

	Notes	Total FY22 £m	Total FY21 ¹ £m
Profit after taxation		181.2	34.7
Add back: income tax expense		33.1	35.0
Add back: finance expense		15.0	41.6
Add back: depreciation and amortisation		36.9	34.9
Add back: net foreign exchange rate gains		(3.2)	(3.8)
Add back: share-based payments	25,26	5.2	11.5
Add back: restricted cash		-	4.2
Increase in inventories		(18.3)	(18.1)
(Increase)/decrease in trade and other receivables		(23.3)	0.8
(Decrease)/increase in trade and other payables		(1.0)	51.2
Change in working capital		(42.6)	33.9
Cash flows from operating activities			
Cash generated from operations		225.6	192.0
Taxation paid		(41.2)	(33.1)
Cash generated from operating activities		184.4	158.9
Cash flows from investing activities			
Additions to intangible assets	12	(9.5)	(6.9)
Additions to property, plant and equipment	13	(15.5)	(10.4)
Cash used in investing activities		(25.0)	(17.3)
Cash flows from financing activities			
Finance expense ²		(10.8)	(12.8)
Payment of lease liabilities	28	(24.0)	(23.8)
Dividends paid	11	(12.2)	-
Proceeds from new bank borrowings	18	-	300.0
Bank borrowings repayments	18	-	(92.7)
Preference share repayments	18	-	(341.4)
Sales of shares from EBT		-	37.8
Cash used in financing activities		(47.0)	(132.9)
Net increase in cash and cash equivalents		112.4	8.7
Cash and cash equivalents at beginning of period		113.6	117.2
Effect of exchange on cash held		2.0	(12.3)
Cash and cash equivalents at end of year	16	228.0	113.6

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. See note 2.14 for further details.

2. Included in finance expense in FY21 are fees paid of £5.4m in relation to the new financing arrangements of £300.0m.

The notes on pages 25 to 73 are an integral part of these financial statements.

Consolidated Non-GAAP Statement of Cash Flows

For the year ended 31 March 2022

	Notes	Total FY22 £m	Total FY21 ¹ £m
EBITDA ²		263.0	222.9
Change in net working capital	3	(35.1)	27.8
Share-based payments		5.2	0.7
Capital expenditure		(25.0)	(17.3)
Operating cash flow²		208.1	234.1
Net interest paid		(10.8)	(7.4)
Payment of lease liabilities	28	(24.0)	(23.8)
Taxation		(41.2)	(33.1)
Free cash flow² before exceptional items		132.1	169.8
Proceeds from new bank borrowings	18		300.0
Exceptional items ²	4	(7.5)	(27.0)
Preference shares redemption	18	-	(341.4)
Net bank borrowings and facility repayments	18	-	(92.7)
Dividends paid	11	(12.2)	-
Net cash flow		112.4	8.7
Opening cash	16	113.6	117.2
Net cash foreign exchange		2.0	(12.3)
Cash and cash equivalents at end of period	16	228.0	113.6

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. See note 2.14 for further details.

2. Alternative Performance Measures as defined in the Glossary on pages 77 and 78.

3. 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 2022

1. General information

Dr. Martens plc (the "Company") is a public company incorporated in England and Wales under the Companies Act 2006. 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. The Group's consolidated financial statements have been prepared on a going concern basis under the historical cost convention, except for derivative financial instruments 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.

The group reviewed its key metrics during the year and determined that operating profit did not meet the definition of a key metric and references to this have been removed from the financial statements.

Whilst the financial information included in this preliminary results announcement has been prepared in accordance with the recognition and measurement criteria of IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The preliminary results announcement does not constitute the Group's statutory accounts for the years ended 31 March 2022 and 31 March 2021 within the meaning of Section 435 of the Companies Act 2006 but is derived from those statutory accounts.

The Group's statutory accounts for the year ended 31 March 2021 have been filed with the Registrar of Companies, and those for 2022 will be delivered following the Company's Annual General Meeting. The Auditor has reported on the statutory accounts for 2022 and 2021. Their report for 2022 and 2021 was (i) unqualified, (ii) included no matters to which the auditor drew attention by way of emphasis and (iii) did not contain statements under Sections 498 (2) or 498 (3) of the Companies Act 2006 in relation to the financial statements.

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 2023 nor the viability of the Group over the next three years.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

2. Accounting policies (continued)

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2022 and 31 March 2021. 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.

Profit or Loss and each component of Other Comprehensive Income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. 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 cash flows 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.

In the prior year, the Company acquired the entire shareholding of Doc Topco Limited by way of a share for share exchange. The insertion of the Company on top of the existing Doc Topco Limited group does not constitute a business combination under IFRS 3 'Business Combinations' and instead has been accounted for as a common control transaction. Merger accounting has been used to account for this transaction.

2.3 Adoption of new and revised standards

The Group has applied the following standards, amendments and interpretations for the first time for the annual reporting period commencing 1 April 2021:

- Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Amendments to IFRS 16 Leasing - Covid-19 related rent concessions
- An IFRS Interpretations Committee (IFRIC) agenda decision from March 2021 clarifying how configuration or customisation costs in a cloud computing arrangement (Software-as-a-Service (SaaS)), should be accounted for

For information on the restatement as a result of the IFRIC agenda decision from March 2021 refer to note 2.14. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

3. Accounting policies (continued)

2.3 Adoption of new and revised standards (continued)

New standards and interpretations not yet applied

At the date of authorisation of these financial statements, there were no standards and interpretations relevant to the Group that are in issue but not yet effective. Other standards and interpretations or amendments thereto which have been issued, but are not yet effective, are not expected to have a material impact on the Group's consolidated financial statements.

2.4 Non-UK currency

The consolidated financial statements are presented in GBP, which is the Group's functional and 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 cash flow 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 2023 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's funding arrangement at 31 March 2022 with cash of £228.0m, term loan of £285.6m as well as available undrawn facilities of £189.5m. A bullet debt repayment of the term loan of £285.6m not due until February 2026.

The year saw a slow recovery from Covid-19 as demand rebounded in our core markets as they emerged from lockdowns and restrictions and as we begin to learn to live with Covid-19. Despite a wide variety of localised restrictions negatively impacting trading on a country by country basis, a recovery trajectory has been clear. The principal impact of Covid-19 in the year was on supply and specifically on manufacturing (as experienced with three factories being closed for circa three months in South Vietnam during summer 2021) and significantly extended lead times from factory to our DCs, particularly lead times to USA nearly doubling to 90-95 days. More recently we have seen a slow improvement in lead times and, coupled with a high vaccination rate across our factories, we anticipate it unlikely we will experience a repeat of FY22 country-wide lockdown. Continued recovery is reliant upon economies normalising, following vaccination success in our core markets and learning to live with Covid-19.

The Directors prepare their detailed forecasts and plans for the assessment period taking into account their experiences of trading through the financial year to 31 March 2022, including the impact of Covid-19 on profitability, cash flow and covenant compliance.

The Directors remain vigilant and continue to monitor the effects of Covid-19 and supply chain challenges in all our core markets (across ecommerce, retail and wholesale channels) and economic and political instability and will react appropriately to further developments and associated risks. Trading in the year also identified that payments from wholesale customers remained strong throughout with no material increase in bad debts from pre Covid-19 trading.

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 104 and 105 of the Annual Report with no planned cost or working capital mitigation (including the payment of dividends).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

2. Accounting policies (continued)

2.5 Going concern (continued)

The base case assumes the Group continues to trade with no restrictions in core markets and trade continues to build in line with the DOCS growth strategy.

Given the backdrop of continued global economic uncertainty, increasing inflation with concerns in relation to tightening consumer spending and the current geopolitical landscape, the risks for modelling purposes in the severe but plausible downside scenario included a large website down during our peak period, factories closure for 3 months in one key production geographic and unexpected increases in costs and inflation arising from global events. These risks will impact on the 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 mitigation actions (including the dividend payments). The impact was represented by revenue growth being 33pts lower than the base case across all channels and geographies.

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 pay awards, reduction in planned marketing spend, potential extension of payment terms with factories, reducing purchases in line with reduced sales, and delay/cancellation of IT related capex and reduced future dividend payments. In addition, if inflation expectations are high, we expect to increase prices to offset higher input costs. A more extreme downside scenario is not considered plausible.

To date we have had minimal experience of bad debts or lower margin. Whilst we have experienced manufacturing constraints through summer 2021 (with 3 factories in south Vietnam closed for 3 months) and extended lead times for logistics from Asia to USA, our plans assume the extended lead times are broadly maintained until H2 (when they slowly improve) with factories more likely to not experience country-wide, long-term lockdowns, but due to high vaccination status, more likely periods of sub optimal operations/closures for a few days with positive tests isolated but broadly continued operations.

In addition, a reverse stress test has been modelled to determine what could break covenant compliance estimates and liquidity before any 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 FY23. Under the covenant breach test it is concluded that the business could weather extreme growth reductions against the base case without mitigation, -38pts of revenue growth in FY23 before covenants are breached. Similarly, the business would have to experience -65pts revenue growth reduction in FY23 before zero cash headroom is reached, which would be below our pre-Covid-19 numbers (FY20). Under both tests modelled, there were no mitigating actions (including dividend payments) modelled and the resulting revenues calculated and likelihood of occurring have been considered. The Directors have assessed the likelihood of occurrence to be remote.

The Directors will continue to monitor the effects of Covid-19 and inflation on our Group and the economies of the countries where the Group operates and plan to maintain maximum flexibility to react on a market by market basis, taking into consideration the various national and local government regulations and policies as events unfold.

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 cash flow 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

2. Accounting policies (continued)

2.7 Employee Benefit Trust (EBT)

Under accounting standard IFRS 10 Consolidated Financial Statements, control for accounting purposes has a different test threshold than under a legal basis. The Group operated an EBT for the benefit of its employees in the prior year. The Trust was dissolved on 1 July 2021.

2.8 Revenue

The Group's revenue arises from the sale of products to customers. Contracts with customers generally have one performance obligation. The Group has concluded that the revenue from the sale of products 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.

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.

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. The Group performed the five-step model on each of these elements, 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:

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

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. Prior to FY22 the refund liability was netted against trade debtors due to its immaterial nature. This is now presented within accruals in line with IFRS 15.

Rebates

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

2.9 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as an expense on a systematic basis over the periods of the related costs and for which it is intended to compensate. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

During the year, the Group received government grants of £nil (2021: £1.9m) of which £nil (2021: £nil) related to the UK. In the prior year, the Group received and subsequently repaid the UK furlough monies of £1.3m. The repayment is presented net of the grants received.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

2. Accounting policies (continued)

2.10 Finance expenses

Finance expenses consist of interest payable on various forms of debt and are recognised in the Statement of Profit or Loss under the effective interest rate method.

2.11 Exceptional items

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

2.12 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.

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 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. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and 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.

2.13 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

2. Accounting policies (continued)

2.14 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 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.

Software

Software is carried at cost less accumulated amortisation and any provision for impairment. Cost includes the original purchase price of the asset and the development costs incurred attributable to bringing the asset to its working condition for intended use. Additional costs in relation to the software are capitalised only so far as they fulfil the criteria of being separable intangible assets. These assets are considered to have finite useful lives and are amortised on a straight-line basis over the expected useful economic life of each of the assets, which is considered to be three to seven years. The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

Change in accounting policy - intangible assets

In March 2021 the IFRS Interpretations Committee (IFRIC) announced an agenda decision on configuration and customisation costs in a cloud computing arrangement and as a result the Group has changed its accounting policy relating to software intangible assets. Specifically, this relates to where a cloud computing arrangement represents access to software as a service (SaaS). Historically, the Group has capitalised all customisation and configuration costs relating to SaaS arrangements. In line with the new guidance, where a SaaS arrangement is present, configuration and customisation costs will only be capitalised if they meet recognition criteria for intangible assets separately. If they do not, and they are distinct from the SaaS (typically provided by a third party), these costs are expensed as incurred. If they are not distinct from the SaaS (typically provided by the software provider), these are recognised as prepayments and expensed over the SaaS contract.

This change in accounting policy resulted in reductions to intangible assets of £1.5m and £1.2m as at 31 March 2022 and 2021 respectively and an increase in operating expenses of £0.7m and £1.3m in those respective years. The tables on the following page show the impact of this change. Relevant comparatives in the financial statements and notes to the financial statements have also been restated. This change in accounting policy had £nil impact on cash.

The change in accounting policy had no impact on the opening balance sheet as at 1 April 2020, and as such no opening balance sheet has been presented.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

2. Accounting policies (continued)
2.14 Intangible assets (continued)
Change in accounting policy - intangible assets (continued)
IMPACT ON CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF RESTATEMENT

	FY21	Change in	FY21
	£m	accounting	(restated)
		policy	£m
		£m	
Revenue	773.0	-	773.0
Cost of sales	(302.5)	-	(302.5)
Gross profit	470.5	-	470.5
Selling and administrative expenses	(358.0)	(1.2)	(359.2)
Finance expense	(41.6)	-	(41.6)
Profit before tax	70.9	(1.2)	69.7
EBITDA	224.2	(1.3)	222.9
Exceptional items	(80.5)	-	(80.5)
EBITDA (post exceptional items)	143.7	(1.3)	142.4
Depreciation, amortisation and foreign exchange (losses)/gains	(31.2)	0.1	(31.1)
Finance expense	(41.6)	-	(41.6)
Profit before tax	70.9	(1.2)	69.7
Tax expense	(35.2)	0.2	(35.0)
Profit for the period	35.7	(1.0)	34.7

IMPACT ON EARNINGS PER SHARE

	FY21	Change in	FY21
		accounting	(restated)
		policy	
Earnings per share			
Basic	3.6p	(0.1p)	3.5p
Diluted	3.6p	(0.1p)	3.5p
Adjusted earnings per share			
Basic	11.6p	(0.1p)	11.5p
Diluted	11.6p	(0.1p)	11.5p
Underlying adjusted earnings per share			
Basic	14.5p	(0.1p)	14.4p
Diluted	14.5p	(0.1p)	14.4p

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

2. Accounting policies (continued)
2.14 Intangible assets (continued)
Change in accounting policy - intangible assets (continued)
IMPACT ON CONSOLIDATED BALANCE SHEET OF RESTATEMENT

	FY21 £m	Change in accounting policy £m	FY21 (restated) £m
Non-current assets			
Intangible assets	260.8	(1.2)	259.6
Property, plant and equipment	32.6	-	32.6
Right-of-use assets	77.4	-	77.4
Deferred tax assets	7.2	0.2	7.4
Pension fund surplus	-	-	-
	378.0	(1.0)	377.0
Current assets			
Inventories	101.5	-	101.5
Trade and other receivables	59.4	-	59.4
Income tax assets	-	-	-
Derivatives and other financial assets	0.3	-	0.3
Cash and cash equivalents	113.6	-	113.6
	274.8	-	274.8
Total assets	652.8	(1.0)	651.8
Current liabilities			
Trade and other payables	(133.0)	-	(133.0)
Borrowings - Bank	-	-	-
Borrowings - Lease liabilities	(18.2)	-	(18.2)
Derivatives and other financial liabilities	-	-	-
Income tax payable	(1.1)	-	(1.1)
	(152.3)	-	(152.3)
Non-current liabilities			
Borrowings - Bank	(281.6)	-	(281.6)
Borrowings - Redeemable preference shares	-	-	-
Borrowings - Lease liabilities	(66.6)	-	(66.6)
Provisions	(1.6)	-	(1.6)
	(349.8)	-	(349.8)
Total liabilities	(502.1)	-	(502.1)
Net assets	150.7	(1.0)	149.7
Equity attributable to the owners of the Parent			
Share capital	10.0	-	10.0
Hedging reserve	(0.1)	-	(0.1)
Capital reserve - own shares	-	-	-
Capital redemption reserve	-	-	-
Merger reserve	(1,400.0)	-	(1,400.0)
Non-UK translation reserve	2.7	-	2.7
Retained earnings	1,538.1	(1.0)	1,537.1
Total equity	150.7	(1.0)	149.7

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

2. Accounting policies (continued)**2.14 Intangible assets (continued)***Change in accounting policy - intangible assets (continued)***IMPACT ON CONSOLIDATED STATEMENT OF CASH FLOWS OF RESTATEMENT**

	FY21	Change in accounting policy	FY21
	£m	£m	(restated) £m
Cash generated from operating activities	160.2	(1.3)	158.9
Cash used in investing activities	(18.6)	1.3	(17.3)
Cash used in financing activities	(132.9)	-	(132.9)

2.15 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
- Leasehold land and buildings 2% straight line method or over the life of the lease
- Plant and machinery 15% straight line method
- Office and computer equipment 20% and 33% straight line method

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.

2.16 Impairment

The carrying amounts of the Group's 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

2. Accounting policies (continued)

2.17 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 discount rate applied varies 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:

- Leasehold buildings – 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.

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 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, 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.

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

2. Accounting policies (continued)

2.17 Lease accounting (continued)

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.

iv) Covid-19-related rent concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions – Amendment to IFRS 16 Leases. The amendments provide an optional relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. The Group has elected to apply the practical expedient which allows for any qualifying change in lease payments resulting from the Covid-19-related rent concession to be treated the same way it would account for the change under IFRS 16 if the change were not a lease modification. During the year ended 31 March 2022, the Group received Enil (2021: £0.7m) of rent concessions from landlords, which have been offset against operating expenses.

2.18 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.

2.19 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.

2.20 Financial assets

Trade and other receivables

Trade receivables are classified 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 FVPL. The most significant financial assets of the Group are its trade receivables, which are referred to as "customer and other receivables". ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and on demand deposits, and other short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents includes debit and credit card payments made by customers which are receivable from banks and cleared the bank.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

2. Accounting policies (continued)

2.21 Financial liabilities

The Company classifies all of its non-derivative financial liabilities as liabilities at amortised cost.

Initial recognition

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs. Details of the Group's equity are included in note 23.

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.

2.22 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.

2.23 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

2. Accounting policies (continued)

2.23 Pension arrangements (continued)

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 (FY21: £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. No asset is recognised in the Balance Sheet in respect of defined benefit pension plans due to the uncertainty over future obligations. 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.

2.24 Derivative financial instruments and hedging activities

The Group uses foreign 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.

Assets and liabilities held at fair value are categorised into levels that have been defined as follows:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2). The fair value of hedges 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 relevant factors, including trade price quotations, time value and volatility factors and dealer quotations for similar currencies traded in different markets and geographical areas, existing at the end of the reporting period; and inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Derivative financial instruments consist of foreign exchange forward contracts, which are categorised within Level 2.

Trading derivatives are classified as a current asset or liability. 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 hedged item is 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 (continued)

For the year ended 31 March 2022

2. Accounting policies (continued)

2.25 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 notes 25 and 26.

2.26 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.

2.27 Capital reserve - own shares

Dr. Martens plc shares held by the Company's two SIP Trusts are classified in shareholders' equity as 'Capital reserve - own shares' and are recognised at cost. No gain or loss is recognised in the income statement on the purchase or sale of such shares.

2.28 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 77 to 78 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.

2.29 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 judgements have had the most significant effect on amounts recognised in the financial statements:

Provisions for expected credit losses of trade receivables

Expected credit losses are calculated based on a combination of factors, including the ageing of the receivable balances, historical experience of groupings of customer segments that have similar loss patterns, current credit status of the customer and forward-looking information such as current economic conditions.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

2. Accounting policies (continued)

2.29 Significant judgements and estimates (continued)

Key judgements (continued)

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

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.

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

There is judgement involved in determining the Group's corporation tax provision. 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 judgement 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 22).

Key sources of estimation uncertainty and assumptions

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

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. 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

2. Accounting policies (continued)

2.29 Significant judgements and estimates (continued)

Key sources of estimation uncertainty and assumptions (continued)

Carrying value of non-financial assets (continued)

In assessing value in use, the estimated future cash flows 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 cash flows and discount rates in order to calculate the present value of the cash flows. 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

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. 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, the principal UK trading subsidiary of Dr. Martens plc, with revenue from wholesale and export customers, Americas revenue is fully attributable to the USA including export revenue to certain South America markets, and APAC revenue is mainly attributable to Japan, Australia, China and South Korea.

	FY22 £m	FY21 £m
Revenue by geographical market		
EMEA	398.5	335.6
Americas	382.7	295.8
APAC	127.1	141.6
Total revenue	908.3	773.0

	FY22 £m	FY21 ¹ £m
EBITDA by geographical market		
EMEA	143.8	115.3
Americas	120.0	91.9
APAC	32.6	39.7
Support costs	(33.4)	(24.0)
EBITDA	263.0	222.9
Exceptional items (note 4)	-	(80.5)
EBITDA (post exceptional items)	263.0	142.4
Depreciation and amortisation	(14.4)	(13.4)
Depreciation of right-of-use assets ²	(22.5)	(21.5)
Foreign exchange (losses)/gains	3.2	3.8
Depreciation, amortisation and foreign exchange gains	(33.7)	(31.1)
Finance expense (note 8)	(15.0)	(41.6)
Profit before tax	214.3	69.7

- 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. See note 2.14 for further details.
- Includes impairment charge of £0.2m in relation to one store we decided to exercise a break clause to relocate to a better location recognised on property, plant and equipment (see note 13). In the prior year, an impairment charge of £1.1m was recognised on right-of-use assets in relation to two stores.

	FY22 £m	FY21 £m
Revenue by channel		
Ecommerce	262.4	235.4
Retail	185.6	99.7
Total DTC revenue	448.0	335.1
Wholesale	460.3	437.9
Total revenue	908.3	773.0

	FY22 £m	FY21 £m
Non-current assets		
EMEA ²	107.9	84.3
Americas	46.1	34.6
APAC	11.2	10.0
Goodwill	240.7	240.7
Deferred tax	9.6	7.4
Total non-current assets	415.5	377.0

- 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. See note 2.14 for further details.
- Included in the EMEA non-current assets is £60.6m (FY21: £52.0m) in relation to the UK market.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

4. Expenses analysis

Profit before tax is stated after charging:

	Notes	FY22 £m	FY21 ¹ £m
Selling and administrative expenses			
Staff costs	6	132.6	109.6
Operating costs		183.2	138.0
		315.8	247.6
Amortisation	12	4.7	4.4
Depreciation ²	13	9.7	9.0
Depreciation of right-of-use assets	13	22.5	21.5
Foreign exchange gains		(3.2)	(3.8)
Depreciation, amortisation and foreign exchange gains		33.7	31.1
Exceptional items		-	80.5
		33.7	111.6
Total selling and administrative expenses		349.5	359.2

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. See note 2.14 for further details.

2. Depreciation includes impairment of property, plant and equipment of £0.2m (FY21: £nil). See note 13 for further details.

There were no exceptional costs in the current year. In the prior year exceptional costs of £80.5m all related to the IPO which took place on 29 January 2021. The main cost was in relation to an all employee "IPO bonus" of £49.1m which was in part funded by shares held by the EBT (and sold at IPO date) and also cash held by the EBT totalling £42.0m. Also included within this charge (of £49.1m) was an employer's national insurance charge in relation to the cash payment of £7.1m. In addition, the Group incurred an IFRS 2 share-based payment charge in relation to the IPO of £10.8m (which was non-cash and further described in note 7). The balance of £20.6m was advisory fees.

5. Auditor's remuneration

	FY22 £m	FY21 £m
Fees payable to the Company's auditor for the audit of the Parent Company and consolidated financial statements	0.6	0.5
Fees payable to the Company's auditor for other services:		
The audit of the Company's subsidiaries	0.8	0.6
Other services - interim review	0.1	0.1
	1.5	1.2
Fees payable to the Company's auditor for other services		
Other services - exceptional items relating to the IPO	-	2.4
	1.5	3.6

6. Staff costs

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

	FTE ¹		Average ²	
	As at 31 March		For the year ended 31 March	
	2022	2021	2022	2021
	No.	No.	No.	No.
EMEA	810	703	1,359	1,125
Americas	547	446	662	575
APAC	412	356	471	382
Global support functions	460	392	431	351
	2,229	1,897	2,293	2,433

1. FTE (Full Time Equivalent) is calculated by dividing the employee's contracted hours by the Company's standard full time contract hours.

2. Average is the average actual employees of the Group during the year.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

6. Staff costs (continued)

The aggregate payroll costs were as follows:

	FY22	FY21
	£m	£m
Wages and salaries	106.8	94.1
Social security costs	10.8	8.0
LTIPs - Share-based payments	5.2	0.7
Pension costs	6.0	5.8
Other post-employment benefits	3.8	1.0
	132.6	109.6
Exceptionals:		
IPO bonus for all employees	-	49.1
IFRS 2 accounting (non-cash) - see note 7	-	10.8
	132.6	169.5

7. Directors' remuneration

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

	FY22	FY21 ¹
	£m	£m
Salaries and benefits	2.6	2.5
Pension costs	0.1	0.1
	2.7	2.6
Exceptionals:		
IFRS 2 (non-cash) ²	-	10.8
	2.7	13.4

1. The Group listed on the London Stock Exchange on 29 January 2021. Prior to admission it was a private company which operated a customary private equity remuneration model and post listing a 'listed' Remuneration Policy and practice were implemented. The Remuneration Policy post 29 January 2021 (and currently applicable) is fully described in the Remuneration report on pages 150 to 161 of the Annual Report.
2. In relation to the period prior to admission and under a private equity remuneration structure the Company operated an EBT to warehouse shares for the benefit of employees. On admission the shares in the EBT were sold (as described on page 185 of the Prospectus) and in recognition of the contribution made by all employees of the Group to the success and continuing progress made by the business, and conditional on admission, the EBT distributed the net proceeds of shares it held together with cash that it held to make a cash payment to each employee of the Group. As part of this, following legal advice, immediately prior to admission, shares were transferred to the Executive Directors and, following accounting rules, these shares fell under IFRS 2 accounting requirements resulting in a non-cash accounting charge of £10.8m which, being in relation to the transaction, was charged to exceptional items in FY21.

The remuneration of the highest paid Director was:

	FY22	FY21 ¹
	£m	£m
Salaries and benefits	1.3	1.3
Pension costs	-	-
	1.3	1.3
Exceptionals:		
IFRS 2 (non-cash) ²	-	6.2
	1.3	7.5

1. Refer to note 1 above.
2. Refer to note 2 above.

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 (FY21: £nil). Further details on Directors' remuneration can be found in the Remuneration Report on pages 150 to 161 of the Annual Report.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

8. Finance expense

	FY22	FY21
	£m	£m
Bank debt - net ¹	10.3	6.5
Preference interest (non-cash)	-	28.5
Interest on lease liabilities	3.5	3.7
Amortisation of loan issue costs - New funding (non-cash)	1.2	0.2
- Old funding (non-cash)	-	2.7
Total financing expense	15.0	41.6

1. Finance expense includes £10.3m (FY21: £6.5m) of bank debt costs. Interest paid in the period was £10.8m (FY21: £7.4m), with the difference of £0.5m (FY21: £0.9m) relating to movements in the bank interest and finance charges payable.

9. Taxation

	FY22	FY21 ²
	£m	£m
Current tax		
Current tax on UK profit for the year	40.0	29.6
Adjustment in respect of prior years ¹	(8.8)	(1.0)
Current tax on overseas profits for the year	4.3	6.4
	35.5	35.0

1. The adjustment in respect of the prior year is mainly in relation to bonus payments paid to all staff following the IPO which were treated as non-deductible. However, following a similar tax case and subsequent tax counsel advice we have taken a deduction.

Deferred tax

Origination and reversal of temporary differences	(2.5)	(1.2)
Adjustment in respect of prior years ¹	0.1	1.2
	(2.4)	-

	FY22	FY21 ²
	£m	£m
Factors affecting the tax expense for the year:		
Profit before tax	214.3	69.7
Profit before tax multiplied by standard rate of UK corporation tax of 19% (FY21: 19%)	40.7	13.2
<i>Effects of:</i>		
Non-deductible expenses	-	21.3
Temporary differences not provided for	-	(0.2)
Effect of change in tax rate	0.1	(0.2)
Share-based payments	0.2	-
Non-UK tax	1.0	1.4
Intangibles capitalised allowable for tax purposes	-	(0.6)
Other adjustments	(0.2)	(0.1)
Before prior year adjustments	41.8	34.8
Adjustments in respect of prior years	(8.7)	0.2
Total tax expense in the Consolidated Statement of Profit or Loss	33.1	35.0
Tax in relation to unexercised share options	-	-
Total tax expense in the Consolidated Statement of Comprehensive Income	33.1	35.0

2. 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. See note 2.14 for further details.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

9. Taxation (continued)

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.

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. 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.

	FY22 £m	FY21 ¹ £m
Profit after tax	181.2	34.7
Exceptional items (note 4)	-	80.5
Adjusted¹ profit after tax	181.2	115.2
	FY22 No.	FY21 ¹ No.
Weighted average number of shares for calculating basic earnings per share (millions)	1,000.1	1,000.0
Potentially dilutive share awards (millions)	2.8	0.4
Weighted average number of shares for calculating diluted earnings per share (millions)	1,002.9	1,000.4
	FY22	FY21 ¹
Earnings per share		
Basic earnings per share	18.1p	3.5p
Diluted earnings per share	18.1p	3.5p
Adjusted² earnings per share		
Adjusted ² basic earnings per share	18.1p	11.5p
Adjusted ² diluted earnings per share	18.1p	11.5p
Underlying³ earnings per share		
Underlying ³ basic earnings per share	17.4p	14.4p
Underlying ³ diluted earnings per share	17.4p	14.4p

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. See note 2.14 for further details.

2. Adjusted earnings per share is calculated on adjusted profit after tax, being profit after tax before exceptional items.

3. Underlying earnings per share is calculated as earnings before exceptional items, preference share interest and prior year tax adjustments.

11. Dividends

	FY22 £m	FY21 £m
Equity dividends on ordinary shares declared and paid during the year		
Interim dividend for FY22: 1.22p (FY21: nil)	12.2	-
Total dividends declared and paid during the year	12.2	-
Proposed for approval by shareholders at the AGM (not recognised as a liability at 31 March 2022 or 31 March 2021)		
Final dividend for FY22: 4.28p (FY21: nil)	42.8	-
Total interim and final dividend relating to FY22	55.0	-
Dividend as a % of earnings	30.4%	-
Dividend per share		
Total dividend per share relating to FY22 (pence)	5.50	-

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

11. Dividends (continued)

The Board has approved and the Company has proposed a final dividend of 4.28p. As previously guided the Board has adopted a progressive 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 cash flows 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 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 14 July 2022, the dividends will be paid to shareholders on the register at 10 June 2022 with payment on 19 July 2022.

12. Intangible fixed assets

	Software ¹ £m	Goodwill £m	Total ¹ £m
Cost			
At 1 April 2020	25.2	240.7	265.9
Additions	6.9	-	6.9
Disposals	(0.9)	-	(0.9)
Reclassifications to tangible fixed assets	0.3	-	0.3
Foreign exchange	(0.5)	-	(0.5)
At 31 March 2021¹	31.0	240.7	271.7
Additions	9.5	-	9.5
Disposals	(0.2)	-	(0.2)
Reclassifications to right-of-use assets ²	(2.2)	-	(2.2)
Other intangible assets reclassification	1.9	-	1.9
Foreign exchange	-	-	-
At 31 March 2022	40.0	240.7	280.7
Accumulated amortisation			
At 1 April 2020	8.7	-	8.7
Charge for the year ¹	4.4	-	4.4
Disposals	(0.9)	-	(0.9)
Reclassifications to tangible fixed assets	0.2	-	0.2
Foreign exchange	(0.3)	-	(0.3)
At 31 March 2021¹	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
Foreign exchange	0.1	-	0.1
At 31 March 2022	18.6	-	18.6
Net book value			
At 31 March 2022	21.4	240.7	262.1
At 31 March 2021	18.9	240.7	259.6

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. See note 2.14 for further details.

2. Relates to a reclassification of assets to right-of-use assets in relation to key money.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

12. Intangible fixed assets (continued)**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 value-in-use calculations which requires the use of assumptions. The calculations use cash flow forecasts based on financial budgets approved by management 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:

	FY22	FY21
	£m	£m
EMEA	66.6	66.6
Americas	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 (FY21: £nil).

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 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 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 cash flows. In each case, these key assumptions have been made by management reflecting past experience and are consistent with relevant external sources of information.

Operating cash flows

The main assumptions within forecast operating cash flow 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 approximately 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.

Long-term growth rates

To forecast beyond the detailed cash flows into perpetuity, a long-term average growth rate has been used. In each case rates of between 1.8% and 3.4% have been used, 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

13. Property, plant and equipment

	Freehold property £m	Leasehold improvements £m	Plant and machinery £m	Office equipment £m	Motor vehicles £m	Total £m
Cost						
At 1 April 2020	6.9	43.6	3.5	5.2	0.1	59.3
Additions	0.4	7.9	0.7	1.4	-	10.4
Disposals ¹	-	(0.5)	-	(0.9)	-	(1.4)
Reclassifications between asset class	-	(0.5)	-	0.5	-	-
Reclassifications to intangible fixed assets	-	(0.3)	-	-	-	(0.3)
Foreign exchange	(0.5)	(2.6)	-	(0.1)	-	(3.2)
At 31 March 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)
Reclassifications between asset class	-	-	-	-	-	-
Reclassifications to intangible fixed assets	-	-	-	-	-	-
Foreign exchange	0.2	0.1	-	-	-	0.3
At 31 March 2021	6.5	60.0	4.6	8.3	0.1	79.5
Depreciation and impairment						
At 1 April 2020	0.9	20.4	1.6	3.6	0.1	26.6
Charge for the year	0.1	7.0	0.7	1.2	-	9.0
Eliminated on disposal ¹	-	(0.5)	-	(0.9)	-	(1.4)
Reclassifications between asset class	-	(0.4)	-	0.4	-	-
Reclassifications to tangible fixed assets	-	(0.2)	-	-	-	(0.2)
Foreign exchange	(0.3)	(1.4)	-	(0.1)	-	(1.8)
At 31 March 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 ²	-	0.2	-	-	-	0.2
Eliminated on disposal	(0.5)	(0.5)	-	(0.1)	-	(1.1)
Reclassifications between asset class	-	-	-	-	-	-
Reclassifications to intangible fixed assets	-	-	-	-	-	-
Foreign exchange	0.1	0.3	-	-	-	0.4
At 31 March 2022	0.4	31.9	3.2	5.6	0.1	41.2
Net book value						
At 31 March 2022	6.1	28.1	1.4	2.7	-	38.3
At 31 March 2021	6.1	22.7	1.9	1.9	-	32.6

1. The Group carried out a physical verification of assets during FY21 and identified assets with a total net book value that were no longer in physical existence but remained on the assets register. These assets were therefore written off during the period to Enil net book value.

2. During the year, impairment charges of £0.2m were recognised in leasehold improvements due to a decision to exercise a break clause and relocate this store to a better location.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

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:

	Leasehold £m
Cost or valuation	
At 1 April 2020	99.9
Additions	23.0
Modification of leases ¹	(2.2)
Foreign exchange	(3.9)
At 31 March 2021	116.8
Additions	41.9
Modification of leases ¹	5.9
Reclassifications from intangible fixed assets	2.2
Disposals	(8.4)
Foreign exchange	1.1
At 31 March 2022	159.5
Depreciation and impairment	
At 1 April 2020	17.9
Charge for the year	20.4
Impairment ²	1.1
At 31 March 2021	39.4
Charge for the year	22.5
Disposals	(8.4)
Foreign exchange	0.5
At 31 March 2022	54.0
Net book value	
At 31 March 2022	105.5
At 31 March 2021	77.4

1. Lease modifications in the year relate to measurement adjustments for rent reviews and stores that have exercised lease breaks.

2. In the prior year impairment charges of £1.1m were recognised on right-of-use assets.

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 cash flows. In each case, these key assumptions have been made by management reflecting past experience and are consistent with relevant external sources of information.

Operating cash flows

The main assumptions within forecast operating cash flow 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 (continued)

For the year ended 31 March 2022

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 9% for all periods. 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 cash flow projections include assumptions on store performance throughout the remaining contractual lease term. In particular, the retail revenue recovery profile in the budget for 2022/23 represents sources of significant estimation uncertainty. The projections for future years include conservative retail revenue recovery and build in sensitivity of lower revenue recovery profiles compared to expected GDP rates on a regional basis (in line with CGUs). 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

	FY22	FY21
	£m	£m
Raw materials	1.2	1.3
Finished goods	121.8	100.2
Inventories net of provisions	123.0	101.5
Inventory provision	3.1	3.9
Inventory written off to Consolidated Statement of Profit or Loss	0.8	1.5

15. Trade and other receivables

	FY22	FY21
	£m	£m
Trade receivables	76.6	52.0
Less: allowance for expected credit losses	(0.7)	(1.3)
Trade receivables - net	75.9	50.7
Other receivables	5.6	5.3
	81.5	56.0
Prepayments and accrued income	4.1	3.4
	85.6	59.4

All trade and other receivables are expected to be recovered within 12 months of the year-end date. The fair value of trade and other receivables is the same as the carrying values shown above. 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, mortgages or letters of credit which can be called upon if the counterparty is in default under the terms. As at 31 March 2022 the amount of collateral held was £0.4m (FY21: £0.6m).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

15. Trade and other receivables (continued)

As at 31 March 2022 trade receivables of £0.2m (FY21: £0.5m) were due over 90 days. Trade receivables are reviewed on a line-by-line basis with consideration given to specific circumstances and credit history when calculating the provision. The ageing analysis of these receivables is as follows:

	FY22 £m	FY21 £m
Over 90 days	0.2	0.5

As at 31 March 2022 trade receivables were carried net of expected credit losses of £0.7m (FY21: £1.3m). The individually impaired receivables relate mainly to accounts which are outside the normal credit terms. The ageing analysis of these receivables is as follows:

	FY22 £m	FY21 £m
Up to 60 days	0.2	1.0
60 to 90 days	0.1	-
Over 90 days	0.4	0.3
	0.7	1.3

	FY22 £m	FY21 £m
At 1 April	1.3	2.3
Change in provision for expected credit losses	(0.6)	(1.0)
At 31 March	0.7	1.3

Debtors days	42	42
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The carrying amount of the Group's trade and other receivables is denominated in the following currencies:

	FY22 £m	FY21 £m
UK Sterling	7.4	3.0
Euro	15.1	9.6
US Dollar	45.5	29.1
Japanese Yen	3.0	2.8
Other currencies	4.9	6.2
	75.9	50.7

16. Cash and cash equivalents

	FY22 £m	FY21 £m
Cash and cash equivalents	228.0	113.6

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

17. Trade and other payables

	FY22 £m	FY21 £m
Current		
Trade payables	52.4	52.6
Taxes and social security costs	6.9	5.3
Other payables	5.5	5.3
Bank interest and finance charges	0.8	1.3
	65.6	64.5
Accruals and deferred income	69.1	68.5
	134.7	133.0

All trade and other payables are expected to be settled within 12 months of the year-end date. The fair value of trade and other payables is the same as the carrying values shown above. At 31 March 2022, other payables consisted of £4.4m (FY21: £4.4m) in relation to employment related payables.

18. Borrowings

	FY22 £m	FY21 £m
Current		
Lease liabilities (note 28)	19.8	18.2
Total current interest-bearing loans and borrowings	19.8	18.2
Non-current		
Bank loans (including amortised fees)	280.9	281.6
Lease liabilities (note 28)	93.1	66.6
Total non-current	374.0	348.2
Total borrowings	393.8	366.4
<i>Reconciliation of disclosed non-current borrowings to gross bank borrowings:</i>		
Non-current bank loans	280.9	281.6
Add back unamortised fees	4.7	5.9
Total gross bank borrowings	285.6	287.5

On 29 January 2021, the Group entered into a New Facilities Agreement, comprising a new Term Loan B ("TLB") facility of €337.5m (equivalent to £300.0m at that date) and a new multi-currency revolving credit facility of £200.0m. These new facilities have a maturity date of 2 February 2026. Under the ancillary facility a total of £6.0m has been utilised in relation to HMRC deferment guarantee and landlord bank guarantees (£3.2m) and foreign exchange hedging contracts (£2.8m). No amount has been drawn down under the revolving credit facility in the period.

The Group value of debt at 31 March 2022 (excluding unamortised fees) of £285.6m is £14.4m lower than the amount borrowed on 29 January 2021 due to GBP Euro exchange rate movement.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

18. Borrowings (continued)

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

	FY22 £m	FY21 £m
Euro Term Loan B	285.6	287.5
Total borrowings	285.6	287.5

Loan repayments will occur as follows:

	Term Loan B (EURO) £m
Year to 31 March 2026 (2 February 2026)	285.6
Total	285.6

Interest is chargeable on the loan at the following rate:

	FY22 £m	Base rate	Margin %
Euro Term Loan B	285.6	EURIBOR	2.75
Total loans before unamortised fees	285.6		

The current margin on the Euro Term Loan B is 2.75%, however this will fall to a low of 2.25% based on the Group leverage.

Bank loans

	FY22 £m	FY21 £m
Revolving credit facility utilisation		
Guarantees	3.2	2.6
Foreign exchange hedging contracts	2.8	2.0
Total utilised facility	6.0	4.6
Available facility (<i>unutilised</i>)	194.0	195.4
Total revolving facility	200.0	200.0
	%	%
Interest rate charged on unutilised facility	0.88	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 new £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 approximately equal.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

18. Borrowings (continued)

Redeemable preference shares

Interest charged on preference shares which were redeemed in full on 28 January 2021 was £28.5m.

Movements in bank loans and preference shares were as follows:

		Cash flows			Foreign	Non-cash	
	1 April	New	Repayment	Repayment of	exchange	capitalised	31 March
	2021	loans	of capital	interest	movement	interest	2022
	£m	£m	£m	£m	£m	£m	£m
Euro Term Loan B	287.5	-	-	-	(1.9)	-	285.6
Total borrowings	287.5	-	-	-	(1.9)	-	285.6

		Cash flows			Foreign	Non-cash	
	1 April	New	Repayment	Repayment of	exchange	capitalised	31 March
	2020	loans	of capital	interest	movement	interest	2021
	£m	£m	£m	£m	£m	£m	£m
Bank loans (B and C)	74.8	-	(72.7)	-	(2.1)	-	-
Euro Term Loan B	-	300.0	-	-	(12.5)	-	287.5
Bank loans	74.8	300.0	(72.7)	-	(14.6)	-	287.5
Preference shares	312.9	-	(165.8)	(175.6)	-	28.5	-
Total borrowings	387.7	300.0	(238.5)	(175.6)	(14.6)	28.5	287.5

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

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

	FY22	FY21
	£m	£m
Assets		
Foreign exchange forward contracts	0.9	0.3
Liabilities		
Foreign exchange forward contracts	(0.5)	-

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

20. Derivative assets and liabilities (continued)

Assets and liabilities held at fair value are categorised into levels that have been defined as follows:

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

Derivative financial instruments consist of foreign exchange forward contracts, which are categorised within Level 2. 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.

Non-UK exchange forward contracts derivatives

The Group manages its exposure to variability in GBP equivalent cash flows by hedging highly probable future cash flows arising in foreign currencies. The Group manages its exposure to net foreign currency cash flows and seeks to maximise natural offsets wherever possible. The Group's principal net foreign currency exposures are to USD, EUR and JPY.

The Group adopts a rolling, layered approach to hedging using forward foreign exchange contracts on an 18-month horizon. Other derivative contracts and longer tenors may be used provided these are approved by the Board.

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

	FY22	FY21
Average exchange rate		
Cash flow hedges: sell GBP buy EUR	1.1716	-
Cash flow hedges: sell EUR buy GBP	1.1779	-
Cash flow hedges: sell GBP buy US Dollar	-	1.3734
Cash flow hedges: sell EUR buy US Dollar	-	1.2152
Nominal amounts		
Cash flow hedges: sell GBP buy EUR	€m	€m
Less than a year	107.8	-
More than a year but less than two years	-	-
Cash flow hedges: sell EUR buy GBP	£m	£m
Less than a year	39.2	-
More than a year but less than two years	8.2	-
Cash flow hedges: sell GBP buy US Dollar	\$m	\$m
Less than a year	-	33.0
More than a year but less than two years	-	-
Cash flow hedges: sell EUR buy US Dollar	\$m	\$m
Less than a year	-	20.0
More than a year but less than two years	-	-

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

21. 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 held at amortised cost in both years are approximately equal to their carrying values. Derivatives carried at fair value are considered to be at Level 2 and are disclosed separately below. The fair value hierarchy has been defined in note 20.

31 March 2022			
	Receivables 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 assets	-	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 (excluding unamortised fees)	285.6	-	285.6
Lease liabilities - Current	19.8	-	19.8
Lease liabilities - Non-current	93.1	-	93.1
Derivative financial instruments	-	0.5	0.5
Trade and other payables excluding non-financial liabilities	65.6	-	65.6
	464.1	0.5	464.6
31 March 2021			
	Receivables 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	56.0	-	56.0
Derivative financial assets	-	0.3	0.3
Cash and cash equivalents	113.6	-	113.6
	169.6	0.3	169.9
	Liabilities at amortised cost £m	Fair value through other comprehensive income £m	Total £m
Liabilities as per Balance Sheet			
Bank debt (excluding unamortised fees)	287.5	-	287.5
Lease liabilities - Current	18.2	-	18.2
Lease liabilities - Non-current	66.6	-	66.6
Trade and other payables excluding non-financial liabilities	64.5	-	64.5
	436.8	-	436.8

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

21. Financial instruments (continued)

Group financial risk factors

The Group's activities expose it to a wide variety of financial risks: liquidity risk, credit risk and market risk (including foreign exchange and interest rate risks). The Group's tolerance to the impact of financial risks on cash flows, financial performance and its financial position is low. The Group's treasury policies seek to manage residual financial risk to within this tolerance in a cost-effective manner taking advantage of natural offsets that exist or can be created through its operating activities. The Group uses derivative financial instruments to hedge certain risk exposures.

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

Liquidity risk

Cash flow forecasting is regularly performed in the operating entities of the Group and aggregated by Group Finance. 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 on any of its borrowing facilities. Surplus cash held by operating entities over and above balances required for working capital are transferred to treasury. Treasury invests surplus cash in interest bearing accounts, choosing instruments with sufficient liquidity to provide headroom as determined by the above-mentioned forecasts.

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

	At 31 March 2022				Total £m
	Up to 3 months £m	Between 3 & 12 months £m	Between 1 & 5 years £m	More than 5 years £m	
Bank loans - Principal	-	-	285.6	-	285.6
Bank loans - Interest	1.9	5.9	22.4	-	30.2
Total bank loans	1.9	5.9	308.0	-	315.8
Lease liability	3.8	16.0	66.2	26.9	112.9
Derivative financial instruments	-	-	0.5	-	0.5
Trade and other payables excluding non-financial liabilities	65.6	-	-	-	65.6
	71.3	21.9	374.7	26.9	494.8

	At 31 March 2021				Total £m
	Up to 3 months £m	Between 3 & 12 months £m	Between 1 & 5 years £m	More than 5 years £m	
Bank loans - Principal	-	-	287.5	-	287.5
- Interest	2.0	6.0	30.7	-	38.7
Total bank loans	2.0	6.0	318.2	-	326.2
Lease liability	4.0	14.1	48.3	18.4	84.8
Trade and other payables excluding non-financial liabilities	64.5	-	-	-	64.5
	70.5	20.1	366.5	18.4	475.5

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

21. Financial instruments (continued)

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 and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions only independently rated parties with an investment grade rating are accepted. Treasury policies in place do not allow concentration of risk with individual counterparties and do not allow significant treasury exposures with counterparties which are rated below investment grade.

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 and Japanese Yen. Non-UK exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign 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 certain investments in foreign operations whose net assets are exposed to non-UK currency translation risk; or when the results, cash flows and financial position of foreign subsidiaries are consolidated into, or paid up to, the parent company of the Group.

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from its floating rate borrowings 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 0%.

At 31 March 2022 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 (FY21: £0.6m).

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 23 and 24 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

21. Financial instruments (continued)**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 (all other exchange rates remaining unchanged) as follows:

10% appreciation	FY22 £m	FY21 £m
Currency		
US Dollar	2.4	1.5
Euro	18.0	12.6
Yen	3.6	3.1

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 (FY21: £0.9m) under the terms of the new loan agreement.

22. Deferred taxation

The analysis of deferred tax assets and liabilities is as follows:

	FY22 £m	FY21 ¹ £m
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	9.6	7.4

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

	FY22 £m	FY21 ¹ £m
Deferred tax asset movement	2.2	-

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. See note 2.14 for further details.

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;
- temporary differences are the differences between the carrying amount of an asset/liability and its tax base that eventually will reverse and mainly comprise amounts for unrealised profits in intra-group transactions and expenses;
- trade losses expected to be utilised in future periods; 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

22. Deferred taxation (continued)

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

	Accelerated capital allowances £m	Temporary differences ¹ £m	Tax losses £m	Share-based payments £m	Total £m
At 1 April 2020	(0.2)	7.4	0.2	-	7.4
Statement of Profit or Loss (charge)/credit	(0.4)	0.4	-	-	-
At 31 March 2021	(0.6)	7.8	0.2	-	7.4
Statement of Profit or Loss (charge)/credit	(1.4)	2.7	0.4	0.7	2.4
Foreign exchange	-	(0.2)	-	-	(0.2)
At 31 March 2022	(2.0)	10.3	0.6	0.7	9.6

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. See note 2.14 for further details.

Deferred taxation not provided in the financial statements:

	FY22 £m	FY21 £m
Tax losses	9.3	7.3

The deferred tax asset has been remeasured, and the 31 March 2022 year-end balance calculated using the rate at which the relevant asset is expected to reverse.

23. Share capital

On 29 January 2021, the Company carried out a reorganisation of its share capital to facilitate a listing to the premium segment of the Official List of its Financial Conduct Authority and to trade on the London Stock Exchange Main Market for listed securities. This is described as follows:

	FY22 No.	FY22 £m	FY21 No.	FY21 £m
Authorised, called up and fully paid				
Ordinary shares of £0.01 each	1,000,222,700	10,002,227	1,000,000,100	10,000,001

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

	FY22 Shares No.	FY22 Share capital £m	FY21 Shares No.	FY21 Share capital £m
As at 1 April 2021	1,000,000,100	10.0	10,000,004	-
Issued on incorporation of Dr. Martens plc	-	-	1	-
Further shares issued	222,600	-	139	-
Share consolidation	-	-	(139)	-
<i>Share for share exchange</i>				
Doc Topco Limited	-	-	(10,000,004)	-
Dr. Martens plc	-	-	10,000,003	1,400.0
Share cancellation	-	-	(3)	-
Capital reduction	-	-	-	(1390.0)
Sub-division of shares (1 for 100 split)	-	-	990,000,099	-
As at 31 March 2022	1,000,222,700	10.0	1,000,000,100	10.0

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

24. 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 110,900 on 8 October 2021 and 111,700 on 31 March 2022, and at 31 March 2022 held 16,925 shares (FY21: nil).
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 year.
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.
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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

25. EBT

The Group had an Employee Benefit Trust (EBT), Doc Topco Limited Employee Benefit Trust, for the purpose of facilitating the holding of shares in Doc Topco Limited (previously the Parent Company of the Group) for the benefit of employees of the Group. The assets of the employee share trust were held by a separate trust, of which the Directors consider that Doc Topco Limited had control for accounting purposes. Immediately prior to admission to the London Stock Exchange, shares were transferred to the Executive Directors, in their positions as employees for past services at £nil cost and therefore the distribution falls within the definition of equity-settled share-based payment under IFRS 2 Share-Based Payments and there are no vesting conditions attached to these shares and they vest immediately on distribution to the CFO/CEO. The fair value of the shares at the date of transfer was £3.70 per share resulting in a share-based payment charge of £10.8m. In addition, the EBT sold 10,570,300 shares at IPO date generating cash of £37.8m and, in conjunction with £4.2m of cash held by the EBT from previous shares sold, funded a £42.0m "IPO bonus" to all employees of the Group.

The Trust was dissolved on 1 July 2021.

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

	FY21	
	EBT	
	No.	WAEP
Outstanding at the beginning of the year	-	-
Granted	2,929,700	£0.00
Vested	(2,929,700)	£0.00
Forfeited	-	-
Outstanding at the end of the year	-	-
Weighted average contractual life remaining (years)	-	-

Fair value measurement

The following table lists the inputs to the model used for the plan for the year ended 31 March 2021:

	FY21
	EBT
Date of grant ¹	29/01/2021
Share price (pence)	425
Fair value at grant date (pence)	358
Exercise price (pence)	0
Dividend yield (%)	Nil
Expected volatility (%)	0.00%
Risk-free interest rate	0.00%
Expected life (years)	0 years
Model used	n/a

1. On 23 January 2021 the Trustees issued the Letter of Wishes to the Executive Directors.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

26. Share-based payments

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 Scheme Plan (PSP) for the Executive Directors and Global Leadership Team (GLT) and the Restricted Scheme 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 Scheme Plan (PSP)

On 9 February 2021, conditional awards of share options were granted to the Executive Directors and the other senior managers. These awards are 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 Scheme Plan (RSP)

On 9 February 2021, service conditional awards of shares under the RSP were 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 150 to 161 of the Annual Report.

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.

Included in staff costs is £5.2m (FY21: £0.7m) in relation to expenses arising from equity-settled share-based payments. Within this amount is £0.8m (FY21: £nil) in relation to the free share award.

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's shares. There were no cancellations or modifications to the awards during the year.

Included in staff costs is £1.9m (FY21: £nil) in relation to expenses arising from cash-settled share-based payments.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

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:

	FY22		FY21	
	LTIP		LTIP	
	No.	WAEP	No.	WAEP
Outstanding at the beginning of the year	2,665,803	-	-	-
Granted	1,017,177	£0.00	2,665,803	£0.00
Vested	-	-	-	-
Forfeited	(495,081)	-	-	-
Outstanding at the end of the year	3,187,899	£0.00	2,665,803	£0.00
Weighted average contractual life remaining (years)	1.9	£0.00	2.9	£0.00

	FY22	
	Free share award	
	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 2022:

	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

	FY21	
	LTIP	
	PSP	RSP
Date of grant	09/02/2021	09/02/2021
Share price (pence)	513	513
Fair value at grant date (pence)	439	513
Exercise price (pence)	0	0
Dividend yield (%)	Nil	Nil
Expected volatility (%)	50.59%	0.00%
Risk-free interest rate (%)	0.03%	0.00%
Expected life (years)	3.3 years	1.5 - 3.0 years
Model used	Monte Carlo	n/a

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

26. Share-based payments (continued)

	FY22
	Free share award
Date of grant	08/10/2021
Share price (pence)	373
Fair value at grant date (pence)	373
Exercise price (pence)	0
Dividend yield (%)	Nil
Expected volatility (%)	0.00%
Risk-free interest rate (%)	0.00%
Expected life (years)	0.5 years
Model used	n/a

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.

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 £0.7m (FY21: £0.1m).

27. Financial commitments and contingencies

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

	FY22	FY21
	£m	£m
Not later than one year	24.9	22.7
Later than one year and not later than five years	73.2	54.3
Later than five years	29.2	20.0
	127.3	97.0

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 £84.6m (FY21: £65.1m).

Contingent liabilities exist in the form of a duty deferment guarantee to HMRC for a maximum amount of £0.9m (FY21: £0.9m), rent guarantees to various landlords of £2.1m (FY21: £1.7m) and other guarantees of £0.2m (FY21: £nil). These contingent liabilities which aggregate to £3.2m (FY21: £2.6m) are guaranteed under the revolving credit facility.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

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:

	FY22	FY21
	£m	£m
At 1 April 2021	84.8	88.4
Additions and remeasurement	47.8	20.4
Interest (<i>note 8</i>)	3.5	3.7
Payments	(24.0)	(23.8)
Foreign exchange	0.8	(3.9)
At 31 March 2022	112.9	84.8
Current (<i>note 18</i>)	19.8	18.2
Non-current (<i>note 18</i>)	93.1	66.6

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

	FY22	FY21
	£m	£m
Depreciation expense of right-of-use assets	22.5	21.5
Interest expense on lease liabilities (<i>note 8</i>)	3.5	3.7
Expenses relating to short-term leases (included in cost of sales)	1.3	0.8
Variable lease payments (included in cost of sales)	2.0	0.7
Total operating expenses recognised in profit	3.3	1.5
Total amount recognised in profit	29.3	26.7

29. Pensions

Defined contribution scheme

The Group operates a defined contribution pension scheme for its employees. The Group's contributions to this scheme were £6.0m for the year ended 31 March 2022 (FY21: £5.8m) and at 31 March 2022 £0.8m (FY21: £0.9m) remained payable to the pension fund.

Defined benefit scheme

Airwair International Limited (a subsidiary of the Group) operates 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 2019 which confirmed that the Plan had sufficient assets to meet the Statutory Funding Objective. The next valuation is due at 30 June 2022. The Statutory Funding Objective does not currently impact on the recognition of the Plan in these accounts.

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

29. Pensions (continued)

The weighted average duration of the defined benefit obligation is approximately 17 years (FY21: 17 years). Around 50% of the undiscounted benefits are due to be paid beyond 18 years' time, with the last payments expected to be over 70 years from now.

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 the 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 judgement on 26 October 2018 (and the subsequent court judgement 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 has been made in the disclosures for the impact of GMP equalisation. There were no other plan amendments, curtailments or settlements during the period.

Effect of the Plan on Company's future cash flows

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 2019, 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 as at 30 June 2022. 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:

	FY22 £m	FY21 £m
Fair value of assets - defined benefit section	68.6	67.8
- defined contribution section	20.4	15.5
Fair value of plan assets	89.0	83.3
Present value of funded obligations - defined benefit section	(55.3)	(59.0)
- defined contribution section	(20.4)	(15.5)
Present value of funded obligations - total	(75.7)	(74.5)
Surplus of funded plans	13.3	8.8
Impact of asset ceiling	(13.3)	(8.8)
Net pension asset	-	-

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

29. Pensions (continued)

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

	FY22 £m	FY21 £m
Net defined benefit asset at beginning of year	-	-
Total defined benefit charge in the Statement of Profit or Loss	-	-
Remeasurement losses in Other Comprehensive Income (OCI)	-	-
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 Other Comprehensive Income in respect of the defined benefit section of the Plan was £nil (FY21: £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 Other Comprehensive Income, are shown below:

	FY22 £m	FY21 £m
(Gains)/losses on defined benefit assets in excess of interest	(1.4)	(5.1)
Losses/(gains) from changes to demographic assumptions	-	0.3
Losses/(gains) from changes to financial assumptions	(2.9)	9.0
Change in effect of asset ceiling	4.3	(4.2)
Total remeasurements to be shown in the OCI	-	-

The change in assets over the year was:

	FY22 £m	FY21 £m
At 1 April	83.3	73.2
Interest on defined benefit assets	1.3	1.4
Return on defined benefit section assets less interest	1.4	5.1
Benefits paid from the defined benefit section	(1.9)	(2.1)
Increase in defined contribution section assets	4.9	5.7
At 31 March	89.0	83.3
Split as:		
Fair value of assets - defined benefit section	68.6	67.8
- defined contribution section	20.4	15.5
Fair value of plan assets	89.0	83.3

The information above includes assets for the defined benefit section and also the defined contribution section. At 31 March 2022 the assets for each scheme are as outlined above.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

29. Pensions (continued)

The change in the funded obligations over the year was:

	FY22	FY21
	£m	£m
At 1 April	74.5	60.5
Past service cost	-	-
Interest cost on defined benefit obligation	1.1	1.1
Changes to demographic assumptions	-	0.3
Changes to financial assumptions	(2.9)	9.0
Benefits paid from the defined benefit section	(1.9)	(2.1)
Increase in defined contribution section assets	4.9	5.7
At 31 March	75.7	74.5
Split as:		
Present value of funded obligations – defined benefit section	55.3	59.0
– defined contribution section	20.4	15.5
Fair value of plan assets	75.7	74.5

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

	FY22	FY21
	£m	£m
At 1 April	8.8	12.7
Net interest charge on asset ceiling	0.2	0.3
Changes in the effect of the asset ceiling excluding interest	4.3	(4.2)
At 31 March	13.3	8.8

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

29. Pensions (continued)

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.

	FY22 £m	FY21 £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	0.5	1.1
Foreign	15.9	19.4
	16.4	20.5
Fixed interest bonds		
Unspecified	17.9	7.2
	17.9	7.2
Index linked gilts		
Domestic	28.6	34.6
	28.6	34.6
Alternatives		
Unspecified	6.3	5.8
	6.3	5.8
Property		
Unspecified	1.0	-
	1.0	-
Insured annuities		
Domestic	1.3	1.5
	1.3	1.5
Cash and other		
Domestic	3.0	2.6
Foreign	0.1	-
Unspecified	(5.9)	(4.6)
	(2.8)	(2.0)
Defined contribution section assets		
Unspecified	20.3	15.5
	20.3	15.5
Fair value of plan assets	89.0	83.3

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

29. Pensions (continued)

A full actuarial valuation was carried out at 30 June 2019. The results of that valuation were updated to 31 March 2022 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:

	FY22 £m	FY21 £m
Discount rate	2.6%	2.0%
Inflation assumption (RPI)	3.6%	3.3%
Inflation assumption (CPI)	2.9%	2.5%
LPI pension increases subject to 5% cap	3.5%	3.2%
Revaluation in deferment	2.9%	2.5%
Post retirement mortality assumption	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	100% (males) and 102% (females) of S3PA, with allowance for future improvements in line with CMI_2019, 1.00% long-term rate
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
Proportion married at retirement or earlier death	70%	70%
Assumed life expectancies on retirement at age 65 are:		
Retiring today:	Male 21.8 Female 24.0	21.8 24.0
Retiring in 20 years' time:	Male 22.8 Female 25.2	22.8 25.1

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

	FY22 £m	FY21 £m
Discount rate		
Plus 0.5%	(4.2)	(4.7)
Minus 0.5%	4.7	5.3
Rate of inflation		
Plus 0.5%	4.1	4.3
Minus 0.5%	(3.7)	(4.6)
Life expectancy		
Plus 1.0 year	2.6	2.8
Minus 1.0 year	(2.6)	(2.7)

The sensitivity illustrations set out above are approximate. They show the likely effect of an assumption being adjusted whilst 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

29. Pensions (continued)

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.

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.

	FY22 £'000	FY21 £'000
Alter Domus¹		
Amounts incurred	29	6
Amounts payable by/(owed) at year end	-	(6)
Genesys¹		
Amounts incurred	41	-
Amounts payable by/(owed) at year end	(1)	-
Klarna¹		
Amounts incurred	188	-
Amounts payable by/(owed) at year end	47	-
TeamViewer¹		
Amounts incurred	6	6
Amounts payable by/(owed) at year end	-	-

1. Alter Domus, Genesys, Klarna and TeamViewer are related to the Group as they are under the common control of Permira V Fund, which is itself controlled by Permira Holdings Limited, a major shareholder which has significant influence over the Group.

Key management personnel compensation

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

	FY22 £m	FY21 £m
Salaries and benefits	8.7	26.6
Exceptionals: IFRS 2 (non-cash)	-	10.8
Pensions	0.2	0.2

This includes the Directors of all Group companies.

Five-year financial summary (unaudited)

For the year ended 31 March 2022

	FY22	FY21¹	FY20	FY19	FY18	CAGR%
	£m	£m	£m	£m	£m	%
Revenue:						
Ecommerce	262.4	235.4	136.4	72.7	43.6	57%
Retail	185.6	99.7	165.2	126.7	97.1	18%
DTC	448.0	335.1	301.6	199.4	140.7	34%
Wholesale ⁵	460.3	437.9	370.6	255.0	207.9	22%
	908.3	773.0	672.2	454.4	348.6	27%
Gross margin	578.8	470.5	401.5	260.5	186.0	33%
EBITDA ²	263.0	222.9	184.5	85.0	50.0	51%
Profit before tax and exceptional items	214.3	150.2	113.0	34.1	2.5	204%
Profit before tax ³	214.3	69.7	101.0	28.9	0.7	318%
Tax expense	(33.1)	(35.0)	(26.2)	(11.7)	(6.4)	51%
Profit/(loss) after tax	181.2	34.7	74.8	17.2	(5.7)	na
Earnings per share						
Basic	18.1p	3.5p	7.5p			
Diluted	18.1p	3.5p	7.5p			
Adjusted earnings per share						
Basic	18.1p	11.5p	8.6p			
Diluted	18.1p	11.5p	8.6p			
Underlying earnings per share						
Basic	17.4p	14.4p	11.8p			
Diluted	17.4p	14.4p	11.8p			
Key statistics:						
Pairs sold (m)	14.1	12.7	11.1	8.3	6.9	
No. of stores ⁴	158	135	122	109	94	
DTC mix %	49%	43%	45%	44%	40%	
Gross margin %	63.7%	60.9%	59.7%	57.3%	53.4%	
EBITDA %	29.0%	28.8%	27.4%	18.7%	14.3%	

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. See note 2.14 for further details.

2. EBITDA – earnings before exchange gains/losses, finance income/expense, income tax, depreciation and amortisation 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.

First half/second half analysis

For the year ended 31 March 2022

	FY22	FY21¹	FY20	FY19	FY18	CAGR%
	£m	£m	£m	£m	£m	%
Revenue by region:						
EMEA	398.5	335.6	287.9	195.1	149.6	28%
Americas	382.7	295.8	252.2	161.1	117.4	34%
APAC	127.1	141.6	132.1	98.2	81.6	12%
	908.3	773.0	672.2	454.4	348.6	27%
Revenue mix:						
EMEA %	44%	44%	43%	43%	43%	
Americas %	42%	38%	37%	35%	34%	
Tax expense	14%	18%	20%	22%	23%	
EBITDA by region:						
EMEA	143.8	115.3	92.4	39.5	22.7	59%
Americas	120.0	91.9	75.4	33.0	18.5	60%
APAC	32.6	39.7	35.5	23.7	19.3	14%
Group support costs	(33.4)	(24.0)	(18.8)	(11.2)	(10.5)	-34%
	263.0	222.9	184.5	85.0	50.0	51%
EBITDA % by region:						
EMEA	36.1%	34.4%	32.1%	20.2%	15.2%	
Americas	31.4%	31.1%	29.9%	20.5%	15.8%	
APAC	25.6%	28.0%	26.9%	24.1%	23.6%	
	29.0%	28.8%	27.4%	18.7%	14.3%	

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. See note 2.14 for further details.

First half/second half analysis (continued)

For the year ended 31 March 2022

	H1			H2			FY		
	Unaudited FY22 £m	Audited FY21 ¹ £m	Variance %	Unaudited FY22 £m	Unaudited FY21 ¹ £m	Variance %	Audited FY22 £m	Audited FY21 ¹ £m	Variance %
Revenue by region:									
Ecommerce	82.6	75.3	10%	179.8	160.1	12%	262.4	235.4	11%
Retail	65.9	34.3	92%	119.7	65.4	83%	185.6	99.7	86%
DTC	148.5	109.6	35%	299.5	225.5	33%	448.0	335.1	34%
Wholesale ⁶	221.4	208.6	6%	238.9	229.3	4%	460.3	437.9	5%
	369.9	318.2	16%	538.4	454.8	18%	908.3	773.0	18%
Gross margin	226.6	186.3	22%	352.2	284.2	24%	578.8	470.5	23%
EBITDA ²	88.8	86.3	3%	174.2	136.6	28%	263.0	222.9	18%
Profit before tax ³	61.3	44.9	37%	153.0	105.3	46%	214.3	150.2	43%
Profit before tax ⁴	61.3	41.9	46%	153.0	27.8	450%	214.3	69.7	207%
Tax expense	(12.7)	(12.4)	-2%	(20.4)	(22.6)	10%	(33.1)	(35.0)	5%
Profit after tax	48.6	29.5	65%	132.6	5.2	na	181.2	34.7	422%
Earnings per share									
Basic	4.8p	3.0p	60%	13.3p	0.5p	na	18.1p	3.5p	na
Diluted	4.8p	3.0p	60%	13.3p	0.5p	na	18.1p	3.5p	na
Adjusted EPS									
Basic	4.8p	3.3p	45%	13.3p	8.2p	62%	18.1p	11.5p	57%
Diluted	4.8p	3.3p	45%	13.3p	8.2p	62%	18.1p	11.5p	57%
Underlying EPS									
Basic	4.8p	5.0p	-4%	12.6p	9.4p	34%	17.4p	14.4p	21%
Diluted	4.8p	5.0p	-4%	12.6p	9.4p	34%	17.4p	14.4p	21%
Key statistics:									
Pairs sold (m)	6.3	5.6	13%	7.8	7.1	10%	14.1	12.7	10%
No. of stores	147	130	13%	158	135	17%	158	135	17%
DTC mix %	40%	34%	+6pts	56%	50%	+6pts	49%	43%	+6pts
Gross margin %	61.3%	58.5%	+2.8pts	65.4%	62.5%	+2.9pts	63.7%	60.9%	+2.8pts
EBITDA %	24.0%	27.1%	-3.1pts	32.4%	30.0%	+2.4pts	29.0%	28.8%	+0.2pts
Revenue by region:									
EMEA	167.6	159.6	5%	230.9	176.0	31%	398.5	335.6	19%
Americas	147.5	102.6	44%	235.2	193.2	22%	382.7	295.8	29%
APAC	54.8	56.0	-2%	72.3	85.6	-16%	127.1	141.6	-10%
	369.9	318.2	16%	538.4	454.8	18%	908.3	773.0	18%
Revenue mix:									
EMEA %	45%	50%	-5pts	43%	39%	+4pts	44%	44%	-
Americas %	40%	32%	+8pts	44%	42%	+2pts	42%	38%	+4pts
APAC %	15%	18%	-3pts	13%	19%	-6pts	14%	18%	-4pts
EBITDA by region:									
EMEA	55.2	53.8	3%	88.6	61.5	44%	143.8	115.3	25%
Americas	40.0	28.9	38%	80.0	63.0	27%	120.0	91.9	31%
APAC	10.7	13.5	-21%	21.9	26.2	-16%	32.6	39.7	-18%
Support costs	(17.1)	(9.9)	-73%	(16.3)	(14.1)	-16%	(33.4)	(24.0)	-39%
	88.8	86.3	3%	174.2	136.6	28%	263.0	222.9	18%
EBITDA % by region:									
EMEA	32.9%	33.7%	-0.8pts	38.4%	34.9%	+3.5pts	36.1%	34.4%	+1.7pts
Americas	27.1%	28.2%	-1.1pts	34.0%	32.6%	+1.4pts	31.4%	31.1%	+0.3pts
APAC	19.5%	24.1%	-4.6pts	30.3%	30.6%	-0.3pts	25.6%	28.0%	-2.4pts

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 Enil impact on cash. See note 2.14 for further details.

2. EBITDA - earnings before exchange gains/losses, finance income/expense, income tax, depreciation and amortisation and exceptional items.

3. Before exceptional items.

4. Post exceptional items.

5. Own stores on streets and malls operated under arm's length leasehold arrangements.

6. Wholesale revenue including distributor customers.

Glossary

Alternative Performance Measures (APMs) and other non-statutory measures

The Group tracks a number of 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.

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: Americas 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 foreign exchange volatility	Yes	Yes
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	Yes	Yes
Gross margin %	Gross margin divided by revenue	Helps evaluate growth trends, establish budgets and assess operational performance and efficiencies	Yes	Yes
EBITDA	Profit/(loss) for the year before income tax expense, financing expense, foreign 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

Glossary (continued)

KPIs including APMs (continued)

Metric	Definition	Rationale	APM	KPI
EBITDA (post exceptional items)	EBITDA less change in net working capital and capital expenditure	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
Adjusted profit before tax	Statutory profit before tax adjusted to exclude exceptional items	Adjusted profit before tax is used as a measure to represent the results for the business excluding exceptional items	Yes	Yes
Operating cash flow	EBITDA less change in net working capital and capital expenditure	Operating cash flow 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 cash flow conversion	Operating cash flow 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 cash flow	Operating cash flow less cash outflows for exceptional items, net interest paid, taxation, lease liabilities and net cash foreign exchange	Free cash flow is used as a net cash flow measure for the Group before changes in the debt/capital structure	Yes	Yes
Consolidated non-GAAP Statement of Cash Flows	Movement in cash flows from EBITDA	To aid the understanding of the reader of the accounts of how the Group's cash and cash equivalents changed during the period, including cash inflows and outflows in the period	Yes	No
Underlying operating cash flow	Operating cash flow representing adjustments for optional, abnormal payment term changes in relation to specific events	Presenting consistent, comparable operating cash flow results	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	Yes
Adjusted EPS	EPS calculated as earnings before taking into account exceptional items	This metric enables the profitability of the Group and its ability to return funds to shareholders to be evaluated consistently year on year, and against other businesses	Yes	Yes
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

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 2022
Ex-dividend date for final dividend	9 June 2022
Record date for final dividend	10 June 2022
Annual General Meeting	14 July 2022
Payment date for final dividend	19 July 2022
Announcement of half year results	24 November 2022

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