



17 June 2021

Dr. Martens plc

Preliminary results for the year ended 31 March 2021

BRAND CUSTODIAN MINDSET DELIVERING STRONG RESULTS

“I am pleased to be reporting our first results as a publicly listed company. The pandemic presented challenges to our operations and ways of working, and our priority throughout was to keep our people and consumers safe. I am very proud of the resilience, dedication and agility of our teams across the globe. This hard work, together with the investments we continued to make in our brand, resulted in revenue up 15% and EBITDA¹ up 22%.

“Our DOCS strategy is delivering strong results. We continue to prioritise selling directly to our consumers, and, with retail severely impacted by Covid-19 restrictions, we focused our efforts on a step-change in ecommerce, achieving revenue growth of 73%, representing 30% of total mix. The investments and improvements we made in our supply chain in recent years, along with our multi-country sourcing model and close supplier relationships allowed us to quickly react to a rapidly changing environment, ensuring minimal disruption and maintaining good availability throughout.

“Our product durability and timeless design are rooted in a sustainable, long-term approach, and our brand custodian philosophy continues to guide the decisions we take. This underpins the financial guidance we laid out at the time of the IPO which is unchanged. Whilst the global trading environment remains uncertain, the strength of our iconic global brand means we look to the future with confidence.” **Kenny Wilson, Chief Executive Officer**

£m	FY21	FY20	% change Actual	% change CC⁴
Revenue	773.0	672.2	15%	16%
EBITDA ¹	224.2	184.5	22%	22%
Adjusted ¹ PBT	151.4	113.0	34%	
PBT ²	70.9	101.0	(30%)	
Profit After Tax ²	35.7	74.8	(52%)	
Adjusted ¹ Diluted EPS ³ (p)	11.6	8.6	35%	
Diluted EPS (p) ²	3.6	7.5	(52%)	
Operating cash flow ¹	234.1	142.0	65%	

¹ Before exceptional items of £80.5m (FY20: £12.0m). See pages 75 to 76 for alternative performance measures

² After exceptionals of £80.5m which relate to the IPO

³ Normalised Adjusted EPS, excluding legacy funding costs of preference shares, was 14.5p in FY21, as described on page 76

⁴ Constant currency applies the same exchange rate to the FY21 and FY20 non-GBP results, based on FY21 budgeted rates

- Strong growth across all regions. As we expected, revenue grew 17% in both EMEA and Americas, and 7% in APAC. In APAC we saw slower growth in Japan, our largest country in the region, due to the higher physical retail mix which was significantly impacted by Covid-19. China revenue grew by 46%
- DTC mix 43%, down 2%pts driven by:
 - Ecommerce revenue up 73%, to 30% mix (up 10%pts)
 - Retail impacted by Covid-19 store closures and restrictions, with revenue down 40% and mix at 13%, down 12%pts

- Gross margin grew 1.2%pts to 60.9%, predominantly due to faster delivery of supply chain efficiencies
- EBITDA¹ margin grew by 1.6%pts to 29.0%, driven by gross margin performance
- Continued investment in our brand and business, including increasing our headcount by over 250 people, and opening 18 new stores and a third-party distribution centre (DC) in New Jersey USA
- Building on the extensive work to date, we are today announcing the launch of a set of ambitious sustainability targets, including net zero by 2030 and, without compromising quality, all footwear made from sustainable materials by 2040

FY22 and Medium-term financial outlook

The guidance set out at the time of the IPO remains unchanged, for both FY22 and over the medium-term. In FY22 we expect high teens revenue growth year on year, as we lap the Covid-19 impact experienced in FY21. From FY23 and over the medium-term we anticipate mid-teens revenue growth. We are targeting ecommerce to grow to 40% mix, with total DTC, including retail, of 60% mix. Our medium-term target of a 30% EBITDA¹ margin is also unchanged. We expect to begin paying a dividend in FY22. Further guidance is provided on page 8. Trading since the year end has been in line with our expectations. We will provide an update on our Q1 trading performance on 29 July 2021.

Enquiries

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Presentation of results

An on-demand results presentation webcast will be available from 7am today and can be accessed at <https://brrmedia.news/qdhmcq>

A live Q&A webcast for investors and analysts will follow at 9:30am BST today. The webcast can be accessed at <https://brrmedia.news/npczwj>

Both the presentation and Q&A session will also be available on our corporate website.

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 have since transcended their working-class roots while still celebrating their proud heritage and, six decades later, “Docs” or “DMs” are worn by people around the world who use them as a symbol of empowerment and their own individual attitude.

The Company successfully listed 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

This has been an unprecedented year, with the global backdrop of Covid-19 requiring us to rapidly adapt our ways of working. Our successful IPO in January represented a major milestone in the Brand's history. The strong results achieved during the year are down to the hard work and dedication of all of our people across the globe, and we thank each and every one of our team for their commitment and passion.

The Group delivered revenue of £773.0m, up 15% on the prior year, at the top end of the guidance range set at the time of IPO, which is testament to the strength of the brand and its deep affection with consumers globally. This performance was significantly driven by ecommerce, where revenue was up 73% to represent 30% of mix. The strong ecommerce result was due to the improvements we have made in our online proposition over recent years, increased investment in digital marketing, together with the shift in consumer spending from retail to ecommerce. Over the medium-term, we expect our focus on this channel, along with the structural shift in consumer shopping behaviour, to continue to increase the relative importance of ecommerce to our business.

Retail is an important and profitable channel for us, to showcase the brand and product, and support ecommerce. During the year our retail performance was significantly impacted by Covid-19. We saw store closures and restrictions through the year in EMEA and Japan, together with store closures in the USA in the first quarter. Despite Covid-19, we opened 18 new own stores globally, taking our total own-store estate to 135. FY21 retail revenue was £99.7m, down 40%.

Wholesale allows us to reach more consumers in more places globally, and our strategy here is to have fewer, deeper wholesale relationships with quality partners who understand and appreciate our brand. Over the medium-term we expect wholesale revenues to grow in absolute terms but become a smaller part of our Group revenue in percentage terms. In FY21 wholesale revenues were £437.9m, up 18%, driven by strong performance from pure play retail customers globally, together with robust trading from USA customers.

At a regional level, revenues increased by 17% in both EMEA and Americas, and 7% in APAC. In EMEA we saw the strongest performance in Germany, following the highly successful conversion to a directly operated business in the prior year. In the Americas we saw good growth in both USA ecommerce and wholesale channels.

As anticipated, our APAC performance was significantly impacted by Covid-19 store closures in Japan, which is our largest market in the region and one that is also particularly weighted towards the retail segment. In China, where we continue to establish our brand and lay the foundations for the future, we had a good performance, with revenue up 46%.

FY21 EBITDA¹ was £224.2m, up 22%, with an EBITDA¹ margin of 29.0%, up 1.6%pts. This strong performance was mainly driven by improved gross margin due to the faster delivery of supply chain efficiencies, together with the deferral of c.£5m of discretionary spend into the first half of FY22 which was delayed due to Covid-19. These factors more than offset first time operating costs from becoming a listed business in the second half.

Group PBT before exceptional items¹ was £151.4m, up 34%. We incurred £80.5m of exceptional costs related to our IPO, which included the cost of a bonus for all of £49.1m, including employer's NI of £7.1m. This resulted in Group PBT of £70.9m, down 30%. Profit after tax was £35.7m, down 52%, due to the exceptional costs. Adjusted diluted earnings per share were 11.6p, up 35%. If legacy funding costs of preference shares are also excluded, the normalised adjusted diluted earnings per share is 14.5p, compared to 11.8p on the same basis in FY20. Operating cash flow¹ after capex was strong at £234.1m, with conversion of 104%, ahead of our expectations. As at 31 March 2021 we had cash of £113.6m and undrawn facilities of £195.4m.

Showing resilience through Covid-19

Throughout the pandemic we focused on keeping our people and consumers safe and staying true to our long-term custodian mindset. Our people have been united by the brand's strong ethos, our inclusive and supportive culture, our spirit of resilience and our clear strategy.

The first impact of Covid-19 was felt in February 2020 in our APAC region, and the business was able to draw on the learnings from this region to help focus resource for the rest of our global operations as the pandemic took hold. We saw lower sales early on in the majority of our Asian markets, although, aside from in Japan, stores remained open (albeit with restrictions) and we also saw the positive shift to ecommerce. This early view from APAC helped us focus and realign resource quickly to drive this channel in both EMEA and Americas.

At the start of the Covid-19 pandemic we quickly and prudently adopted a cash protection approach. We temporarily extended certain payment terms with key suppliers, whilst not cancelling any orders. With our wholesale customers we ensured proactive communication and cooperation to collect outstanding monies and realign orders taken and, in certain, limited circumstances we agreed extended payment terms. We also deferred certain capital expenditure related projects, cancelled non-digital discretionary spend, temporarily paused recruitment and secured an incremental £70m working capital facility. Whilst we initially applied for UK government furlough support, once it became apparent trading was resilient and cash flow robust, we repaid the £1.3m received.

Ensuring our people were safe, informed and supported has been a key priority throughout. New videoconferencing technology was rolled out to the whole organisation. The leadership team increased the frequency and types of internal communication, including weekly global town hall meetings. With the majority of our people working remotely, we worked hard to look after their wellbeing. The Culture teams organised many initiatives for our people through which they could socialise virtually and keep the brand's culture alive.

Our people were redeployed towards the online business, with some teams temporarily transferred to support ecommerce, customer services and social media teams, and tight health and safety measures were put in place in the distribution centres to ensure that product could continue to be shipped in a timely manner to consumers, whilst ensuring the wellbeing of our employees.

The growth in ecommerce was due to a variety of actions. We continued to invest in digital marketing throughout the period. Our localised approach meant we were able to pick up a significant amount of business lost from stores being closed or trading at sub-optimal capacity, and inventory was redeployed to ecommerce. Across wholesale, we saw strong growth from pure play "etail" customers together with the online sites of our traditional retail customers.

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.

Our strategy has four pillars, 'DOCS', which are:

- **D – Direct-to-consumer acceleration.** We aim to fuel growth through ecommerce, supported by stores as profitable brand beacons. By focusing on DTC we can control brand engagement with our consumers and ensure the best possible environment to showcase our products, both digitally and physically.

- **O – Operational excellence.** We are investing and improving our operational and IT infrastructure to enable growth and unlock value. Our supply chain and IT teams are the backbone of our business, and we strive to ensure our future capacity requirements are met to support our growth.
- **C – Consumer connection.** We are focused on creating deeper connections with more consumers, using insights to develop effective marketing strategies aimed at increasing engagement and broadening the Group’s consumer base. Our sustainability strategy is a key element of our consumer connection, and we continue to accelerate our journey here.
- **S – Sustainable global growth.** This means growing our business in the right way. We focus predominantly on seven core markets: UK, France, Germany, Italy, USA, Japan and China, as these have the biggest headroom for growth over the medium-term.

Executing against our strategy

Our focus on ecommerce was particularly pleasing with revenue growth of 73%, increasing mix by 10%pts to 30% of revenue. Due to the Covid-19 pandemic, retail declined to 13% of mix, a decrease of 12%pts. This resulted in an overall decline in DTC mix of 2%pts to 43%.

Over recent years we have significantly invested in our digital capability, enhanced our digital platforms and materially expanded our teams, both centrally and our local regional trading teams. The combination of our improved capabilities, together with the transition of sales from retail, drove ecommerce revenue up 73% to 30% of revenue, with a strong performance across all our websites and geographies.

The increased content on our localised websites drove longer browsing and dwell time on site, and an improvement in conversion rates. Driven by our regional trading teams we prioritised marketing spend into digital, redeployed inventory to maintain good availability and reformatted our own DCs’ pick capacity to improve speed and dispatch.

We opened 18 own stores during the year, including our first store in Rome, six new stores in USA, four in both Germany and France and three in APAC.

Our supply chain performance was strong, with the work to diversify and manage risk undertaken over the past few years meaning we could quickly react to a rapidly changing global backdrop, global port disruptions, container shortages, as well as Covid-19 impacts.

We have delivered our target supply chain efficiencies faster than anticipated, due to a combination of savings from higher volumes, our work on cross cost comparison and lower input costs on certain key components. These savings have been achieved with no change in quality, durability or manufacturing process.

Our distribution centres performed strongly, with good product availability, and we opened a new third-party run DC in New Jersey in June to support the growth in our Americas business.

Communicating directly with our consumers remains a key priority. During the year we continued to invest in our social community, building our teams and content, driving engagement rates more than double our competitive set. We now have almost 5 million Facebook followers and 4 million Instagram followers across all our regional platforms, a double-digit increase year on year.

With the music industry unable to operate as before, we took the stage to our social media channels and live streamed over twenty gigs to our audience through Instagram across the year. We engaged our social media communities to respond to the #DMsChallenge by setting them weekly challenges to stay motivated through lockdown. This generated over 4,000 pieces of user generated content. We designed an augmented reality (AR) lens to connect with our social media audiences and educate on our key Icons. The lens activity reached 2.3 million people,

with 16–24-year-olds driving the highest volume of engagement. Finally, in March 2021 we launched on TikTok, with our performance on the platform so far significantly ahead of our expectations.

As part of continuing to invest in and evolve our business, the coming months will see some changes to our Leadership Team. We are pleased to announce that Sue Gannon joins us from Netflix as Chief HR Officer in the coming weeks. Darren Campbell, Chief Product and Marketing Officer, has decided to leave the business to pursue charity work, and we are delighted that he will become a Trustee of the Dr. Martens Foundation. We had already decided to split Darren's role, and the recruitment for both CPO and CMO are underway. Additionally, after three years building our digital capabilities, Sean O'Neill, Chief Digital Officer, will be leaving later this year. Both Sean and Darren will leave behind exceptionally talented teams and will stay with the business as necessary to ensure a smooth transition.

Sustainability

We have always strived to improve our ways of working, and our people and consumers increasingly demand this too. Two of our key principles are product durability and timeless design, and these are rooted in a sustainable, long-term approach. We have close supplier relationships with a relatively small number of suppliers, which we have developed over the last few decades. In 2019 we launched our first sustainability strategy and in recent years we have invested in expanding our sustainability and CSR teams and accelerating our pace of change. This has enabled us to improve our data capture and processes, particularly in the areas of supply chain, and social and environmental impact. However, there always remains more work to do and we are incredibly ambitious.

During the past year we are proud to have:

- Sourced more than 98% of our leather from Leather Working Group medal rated tanneries
- Started incorporating 50% post-consumer recycled plastic in our Airwair heel loops and other synthetic components
- Despite Covid-19, independently audited physically more than 90% of our Tier 1 finished product suppliers, all of which surpassed our required CSR audit criteria
- Created a dedicated Diversity, Equity and Inclusion team to accelerate our agenda in this area

We also completed a gap and materiality analysis to comprehensively understand our most significant impacts on the environment and priority action areas. Using the outputs of this we have developed ambitious sustainability targets that give a clear direction for what we need to achieve. We recognise that at present the technology required to achieve some of these targets is not yet available, and we are looking to partner with innovators in this space. Over the coming year, we will build detailed sustainability roadmaps, metrics and KPIs to achieve these targets.

In our upcoming annual report we will provide further details on our sustainability performance and approach. We are pleased to announce our key sustainability targets today, which are:

- By 2028, 100% of packaging made from recycled or other sustainably sourced material. By the same year, ensure that zero waste goes to landfill across the value chain
- By 2030, achieve net zero and remove fossil-based chemicals from our products
- By 2040, 100% of products sold have a sustainable end of life option and, without compromising quality, all footwear made from sustainable materials

Our full sustainability report, containing all our sustainability targets and disclosures, will be published as part of our upcoming Annual Report.

At Dr. Martens we have always cared about doing the right thing, making products that last and taking a long-term approach.

Product and brand

Our product strategy is rooted in our Originals, anchored within the ‘big three’ of the 1460 boot, the 1461 shoe and the 2976 Chelsea Boot. Our originals category grew revenue broadly in line with Group revenue, to account for 57% of total revenue during the year. The DNA of our originals category drives the rest of our product offering; this ensures we do not deviate from our brand essence.

We continue to see strong growth in our Fusion category, led by the Jadon and the Sinclair. Our Sandals collection is a relatively new part of our business and continues to perform strongly, with revenue growth of 54% and we continue to expand and develop our offering here to drive an all-year round brand offer. Kids, where we operate a mini-me strategy from Originals, also saw good growth, albeit it was impacted by retail closures given higher propensity to buy through retail channels. We saw a decline in revenue from our Casual category, as expected, as we reposition our range here to further enhance our product positioning.

A key benefit of our product strategy and approach is that the majority of our product is continuity – this means that it continues season after season and isn’t marked down. We therefore operate with a low markdown percentage, only using markdowns to clear seasonal stock.

Our collaborations serve to create newness and buzz for our consumers, and further strengthen our global relationships with artists, musicians and designers. Across calendar 2020 we celebrated the 60th anniversary of the 1460 boot, with “1460 remastered”, a series of twelve design collaborations with friends of the brand, including Raf Simons, Yohji Yamamoto, Marc Jacobs and A-Cold-Wall. We also ran other collaborations with broad appeal through the year, celebrating our relationship with music through our Black Sabbath collaboration, Art through Basquiat and Keith Haring and cultural brands such as Hello Kitty and X-Girl. In March 2021 we were proud to launch our first ever collaboration in sandals, with Japanese brand Suicoke.

Our brand is at the heart of everything we do and we continued to invest in our marketing functions, both at a Group and regional level. When the pandemic started to take effect we focused our spend towards digital performance marketing, adding in out of home spend as markets reopened. Our ‘unpolished’ campaign spotlighted our three icons 1460 boot, 1461 shoe and 2976 chelsea boot, and three of our biggest Fusion stars, the 1460 Bex, Jadon and Sinclair.

Across our three regions we further invested in sales and marketing capability for our “Amp” wholesale level of distribution – this being our highest level of wholesale accounts that enable the brand to drive deeper connections with informed consumers.

Guidance

The guidance set out at the time of the IPO is unchanged. In FY22 we expect high teens revenue growth year on year, as we lap the Covid-19 impact experienced in FY21. From FY23 and over the medium-term we anticipate mid-teens revenue growth. We are targeting a 60% DTC mix over the medium-term, with ecommerce growing to at least 40% mix of Group. Our medium-term target of a 30% EBITDA¹ margin is also unchanged.

For FY22 specifically, we anticipate:

- New own store openings of 20 to 25 stores
- Depreciation and amortisation of £42m to £44m, including the impact of IFRS16
- Net finance costs of £15m to £17m
- Underlying tax rate of c.21%
- Capital expenditure of between 3.0% and 3.5% of revenue
- Year-end leverage of around 1x, including IFRS16 leases

- We expect to pay our first dividend for the first half of FY22 in January 2022 with a one-third, two-third split of dividend payments across the fiscal year. We continue to plan to target a progressive dividend with a payout ratio of between 25% to 35% of net income (profit after tax).

For the first half of FY22 specifically, we anticipate:

- An increase in operating costs including c.£5m of discretionary spend which was deferred through FY21 due to the pandemic
- The annualisation of PLC and LTIP costs, representing a c.£5m headwind in the first half
- A cash outflow of c.£100m, due to normal seasonal fluctuations in the timing of shipments and payments

CFO Review

During the year, the financial position of the Group improved – revenue grew 15% to £773.0m (FY20: £672.2m) and EBITDA¹ grew 22% to £224.2m (FY20: £184.5m).

The year was overshadowed by Covid-19 and the Group proved itself to be very resilient to its negative impacts. This was, primarily due to brand and product strength, the global nature of our operations, our multi-channel distribution model and in particular the focus on ecommerce – which grew by 73% to represent 30% revenue mix (FY20: 20% revenue mix).

The year also saw the Group move from private ownership to list on the premium segment of the London Stock Exchange on 29 January 2021. In addition, as part of this process, the Group repaid all legacy financing arrangements funded by a new loan of £300.0m and existing cash. The new debt is bullet repayment in nature with a 5-year term. The Group also secured a working capital facility of £200.0m with a 5-year term. At 31 March 2021 the Group had cash of £113.6m and undrawn available facilities of £195.4m.

Results – at a glance

£m		FY21	FY20	% change Actual	% change CC⁵
Revenue:	Ecommerce	235.4	136.4	73%	73%
	Retail	99.7	165.2	-40%	-40%
	DTC	335.1	301.6	11%	11%
	Wholesale ⁴	437.9	370.6	18%	20%
		773.0	672.2	15%	16%
Gross margin		470.5	401.5	17%	18%
EBITDA ^{1,2}		224.2	184.5	22%	22%
Operating profit before exceptionals		193.0	154.5	25%	
Operating profit		112.5	142.5	-21%	
Key statistics:	Pairs sold (m)	12.7	11.1	14%	
	No. of stores ³	135	122	11%	
	DTC mix %	43%	45%	-2.0%pts	
	Gross margin %	60.9%	59.7%	+1.2%pts	
	EBITDA % ^{1,2}	29.0%	27.4%	+1.6%pts	

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

² Before exceptional items of £80.5m (FY20: £12.0m).

³ Own stores on streets and malls operated under arm's length leasehold arrangements.

⁴ Wholesale revenue including distributor customers.

⁵ Constant currency applies the same exchange rate to the FY21 and FY20 non-GBP results, based on FY21 budgeted rates.

Total revenues grew by 15% from £672.2m to £773.0m with very strong growth from ecommerce. The key driver of growth was volume with 14% more pairs of boots and shoes sold at 12.7m pairs (FY20: 11.1m pairs).

- **Ecommerce revenue** was particularly strong, as consumers shifted online due to store closures/social distancing restrictions and also our focus of resources on this channel early when Covid-19 first became apparent. As a result ecommerce experienced a step-change and grew by 73% to £235.4m (FY20: £136.4m) to represent 30% of revenue (up 10%pts from FY20 mix of 20%) with very strong growth driven by localised trading teams across all own websites in all geographies.

- **Retail revenue**, impacted by Covid-19 store closures and restrictions, declined by 40% to £99.7m (FY20: £165.2m) with revenue mix reducing to 13% (down 12%pts from FY20 mix of 25%). Despite this decline, we understand the importance of this channel in supporting ecommerce and brand awareness with profitable brand beacons and we opened 18 new own stores in the year (and closed 5) to end the year with 135 own stores.
- **Wholesale revenue** grew by 18% to £437.9m (FY20: £370.6m) and to a degree benefitted from the trend to digital (with growth mainly pure play “etail” accounts as well as own websites from traditional accounts). In addition, the first full year of trading in Germany (following its conversion from third party distributor basis to directly operated basis) was particularly strong.

Gross margins improved by 1.2%pts to 60.9% (FY20: 59.7%) mainly due to faster delivery of supply chain efficiencies (in part volume efficiency, part cross cost comparison and part lower input costs on certain key components) which generated 1.1%pts of improved gross margin. The negative margin impact from the reduction in direct to consumer (DTC) mix and inflation was offset by targeted price increases in the year.

The supply chain target of 5% of revenues has now been achieved, a lot earlier than anticipated. Looking forward, we anticipate broadly offsetting raw material headwinds from SS22 and increasing freight and container costs with incremental future savings.

EBITDA¹ grew by 22% to £224.2m (FY20: £184.5m) and was mainly due to volume. EBITDA¹ margin improved by 1.6%pts to 29.0% (FY20: 27.4%) as follows:

	EBITDA¹ Margin %
FY20	27.4%
Gross margin	+1.2pts
PLC/LTIP costs	-0.4pts
Operational leverage	+0.8pts
FY21	29.0%

The improvement in gross margin has been previously described with margin dilution from PLC/LTIP costs representing new ongoing costs in relation to being a ‘listed’ company (described later) and were offset by lower discretionary spend due to Covid-19 of £5m and also by operational leverage from the cost base increasing at a slower rate than revenue growth. Whilst some Covid-19 related savings will reverse and normalise in FY22, our medium term target of 30% EBITDA¹ margin remains unchanged.

Operating profit (before exceptionals) was £193.0m (FY20: £154.5m) and was up 25% with operating profit of £112.5m (FY20: £142.5m) down 21%, summarised below:

£m	FY21	FY20	% change
Revenue	773.0	672.2	15%
Gross margin	470.5	401.5	17%
Operating expenses	(246.3)	(217.0)	(14%)
EBITDA^{1,2}	224.2	184.5	22%
Depreciation and amortisation	(35.0)	(29.5)	(19%)
Foreign exchange gains/(losses)	3.8	(0.5)	Na
Operating profit before exceptionals	193.0	154.5	25%
Exceptional items	(80.5)	(12.0)	Na
Operating profit	112.5	142.5	(21%)
Gross margin %	60.9%	59.7%	+1.2%pts
EBITDA % ^{1,2}	29.0%	27.4%	+1.6%pts
Operating profit margin – before exceptionals	25.0%	23.0%	+2.0%pts
Operating profit margin	14.6%	21.2%	-6.6%pts

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

² Before exceptional items of £80.5m (FY20: £12.0m).

Pre-exceptional operating expenses increased by 14% to £246.3m (FY20: £217.0m) as follows:

£m		FY21	FY20	% change
Staff costs:	Underlying	106.7	99.8	7%
	PLC/LTIP	2.9	-	-
		109.6	99.8	10%
Other operating expenses		136.7	117.2	17%
		246.3	217.0	14%
% revenue:	Staff	14.2%	14.9%	-0.7%pts
	Other	17.7%	17.4%	+0.3%pts
	Total	31.9%	32.3%	-0.4%pts

Included in staff costs was £2.9m in relation to PLC related costs, including the first LTIP grant of £0.7m made on 9 February (which is expected to annualise to a cost of £4.9m) and incremental headcount in relation to our new Independent NED's and the strengthening of Group Finance and Legal/Company Secretary functions which occurred across the second half. Other operating costs increased by 17% and was mainly due to increased marketing spend (up 34%), before this increase, other operating expenses increased by 9% and were mainly volume related in nature. The increase in marketing spend was in line with our plans at +0.5%pts of revenue and we expect to continue to increase our investment in this area, particularly in digital marketing.

Exceptional costs in the year were £80.5m (FY20: £12.0m) and 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 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 IFRS2 share based payment charge in relation to the IPO of £10.8m (which was non-cash and further described in note 7 of the financial report). The balance of £20.6m was advisory fees and charges including an element of unclaimable VAT. In the prior year exceptionals of £12.0m included consulting fees in relation to the Company's exploration and diligence associated with an exercise to review strategic options of £7.3m, charge in

relation to the implementation of a new IT system (Microsoft Dynamics 365 in America's region) of £2.2m, costs for legal obligations and litigation of £1.9m with the balance mainly legal costs.

The Directors consider EBITDA¹ before exceptionals as the most appropriate indicator of the underlying performance of the Group.

Region analysis: (excluding exceptional items)

The results can be further analysed by region as follows:

£m		FY21	FY20	% change
Revenue:	EMEA	335.6	287.9	17%
	Americas	295.8	252.2	17%
	APAC	141.6	132.1	7%
		773.0	672.2	15%
EBITDA ^{1,2} :	EMEA	115.3	92.4	25%
	Americas	91.9	75.4	22%
	APAC	39.7	35.5	12%
	Support costs ³	(22.7)	(18.8)	(21%)
		224.2	184.5	22%
EBITDA ^{1,2} margin by region:	EMEA	34.4%	32.1%	+2.3%pts
	Americas	31.1%	29.9%	+1.2%pts
	APAC	28.0%	26.9%	+1.1%pts
	Total	29.0%	27.4%	+1.6%pts

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

²Before exceptional items of £80.5m (FY20: £12.0m).

³Support 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

EMEA revenue grew by 17% to £335.6m (FY20: £287.9m). Ecommerce was particularly strong with retail negative (due to store closures and social distancing restrictions which continued throughout the year). During the year we opened 9 new stores with 4 in France (to 11 stores), 4 in Germany (to 10 stores) and also our first store in Italy (Rome) and closed 3 stores in UK by exercising lease break clauses. Germany had a particularly strong year (following a highly successful conversion to a directly controlled market in the prior year) and grew revenue by 56% to become our second largest market in the region after the UK. The region has two main DC's, in the UK and the Netherlands, and, as a result, Brexit has not had a material impact on our operations or results. **EBITDA¹ was up 25% to £115.3m** (FY20: £92.4m).

Americas

The Americas region grew revenue by 17% to £295.8m (FY20: £252.2m). Our own stores were closed during April to early July and broadly traded throughout the remainder of the financial year at 25% to 50% capacity. In addition, a number of traditional wholesale accounts were open all year (with capacity restrictions) and, as a result the impact of Covid-19 restrictions was not as negative an impact as in EMEA or APAC. Ecommerce was very strong, and we also went live with a new Hispanic website. We had good wholesale growth, but retail was negative. During the year we opened 6 new stores with 2 in Texas (in Dallas and Houston), 3 in and around LA (including Abbot Kinney Boulevard) and 1 store in Chicago. One store was closed at the end of its lease term. **EBITDA¹ was up 22% to £91.9m** (FY20: £75.4m).

APAC

Total revenue across the region was up 7% to £141.6m (FY20: £132.1m) with the region particularly impacted by strict social distancing restrictions. China had steady growth from both ecommerce and distributor revenues growing by 46% and during the year we opened a net 35 mono branded franchise stores to trade from 85 stores at year end. Japan, which is currently our largest market in the region, experienced marginal revenue growth with exceptionally strong ecommerce growth offset by negative retail revenue and negative wholesale revenue due to strict social distancing/store closure rules (particularly in and around Tokyo). South Korea and Hong Kong were broadly flat with very good ecommerce offset by weak retail and negative trading across most SE Asia distributor markets.

EBITDA¹ was up by 12% to £39.7m (FY20: £35.5m) with growth in part impacted by continuing infrastructure build to support our long-term ambitions in China (during the year we expanded our Shanghai based team from 7 to 25 people) and also further investment in Japan to underpin future DTC growth.

Support costs

Support costs were up 21% to £22.7m (FY20: £18.8m) which was mainly due to PLC/LTIP costs incurred across second half of £2.9m, excluding these costs support costs were up 5%.

Retail development

During the year, we opened 18 (FY20: 16) new own retail stores (via arm's length leasehold arrangements) as follows:

		31 March 2020	Opened	Closed	31 March 2021
EMEA:	UK	37	-	(3)	34
	Germany	6	4	-	10
	France	7	4	-	11
	Italy	-	1	-	1
	Other	12	-	-	12
		62	9	(3)	68
Americas		29	6	(1)	34
APAC:	Japan	21	1	-	22
	South Korea	4	1	-	5
	Hong Kong	6	1	(1)	6
		31	3	(1)	33
Total		122	18	(5)	135

The Group also trades from 49 (FY20: 52) concession counters in department stores in South Korea and a further 203 mono branded franchise stores around the world with 85 in China (FY20: 50), 32 in Japan (FY20: 33), 11 across Australia and New Zealand (FY20: 5), 50 across other South East Asia countries and the balance mainly South America.

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 warehouses and its offices. At 31 March 2021, the average lease term remaining across all property related leases to end of term was 4.3 years (FY20: 4.7 years), and only 2.9 years (FY20: 3.3 years) to

tenant only break. The annual rent commitment was £22.7m (FY20: £21.5m) and undiscounted total lease commitment was £97.0m (FY20: £100.5m), reducing to £65.1m (FY20: £70.0m) to lease break.

At 31 March 2021 under IFRS 16 accounting rules the Group has ROU assets of £77.4m (FY20: £82.0m) and lease liabilities of £84.8m (FY20: £88.4m). As described in the Viability and Going Concern statements, we reviewed all stores for impairment and concluded three stores had future cash flows lower than the ROU asset, and accordingly expensed a £1.1m impairment charge to the Consolidated Statement of Profit or Loss.

Earnings

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

£m	FY21	FY20
Operating profit	112.5	142.5
Net interest cost on bank debt	(6.5)	(5.3)
	106.0	137.2
Non-cash interest on preference shares	(28.5)	(31.5)
Unamortised loan costs	(2.9)	(0.8)
Interest on lease liabilities (non-cash)	(3.7)	(3.9)
Profit before tax	70.9	101.0
Tax	(35.2)	(26.2)
Earnings	35.7	74.8

The Group made operating profit of £106.0m after interest costs on bank debt (FY20: £137.2m). On 29 January the Group refinanced its operations with new bank debt of £300.0m and a working capital facility of £200.0m. The term debt is for 5 years with bullet repayment on 2 February 2026 and average interest cost of 2.75% depending on the net leverage of the Group at each reporting period and the EURIBOR rate. Included within net interest on bank debt (above) of £6.5m is interest costs post refinancing of £1.2m with the balance being interest costs on previous funding arrangements. The unamortised loan issue costs of £2.9m include £0.2m in relation to the new financing arrangements (annualised cost of £1.2m) with the balance relating to the write-off of all issue costs on prior financing arrangements.

The Group made a profit before tax of £70.9m (FY20: £101.0m) with profit after tax of £35.7m (FY20: (£74.8m)).

The tax charge was £35.2m (FY20: £26.2m) with an effective tax rate of 49.6% which is higher than the UK corporate tax rate of 19.0% and mainly due to non-deductibility of certain expenses and exceptional items and also geographical mix of profits at different tax rates as follows:

	%
UK effective tax rate	19.0%
Non-UK tax mix	1.4pts
IFRS 2 accounting	1.9pts
Interest on preference shares	4.3pts
Certain exceptionals/Other	23.0pts
Reported tax rate	49.6%

On 3 March 2021, the 2021 UK budget announced an increase to the corporation tax rate from 19.0% to 25.0% effective from April 2023. This was substantively enacted on the 24 May 2021. The increase in rate would have been approximately £0.2m. 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 FY21 we paid £137m, either directly or indirectly to various governments.

Earnings per share was 3.6p (FY20: 7.5p) and adjusted earnings per share (excluding exceptional items of £80.5m) was 11.6p (FY20: EPS 8.6p; exceptional items £12.0m). For future comparability purposes, we have also calculated a normalised adjusted EPS figure of 14.5p (FY20: 11.8p), which excludes exceptional items (as described in adjusted EPS) together with legacy financing costs of preference shares, which were fully repaid at IPO (FY21: £28.5m; FY20: £31.5m). The total number of shares are detailed in note 23 in the financial statements. The following table summarises these EPS figures:

		FY21	FY20	<i>% change</i>
		pence	pence	
Earnings per share	Basic	3.6	7.5	-52%
	Diluted	3.6	7.5	-52%
<i>Add back exceptionals per share</i>		8.0	1.1	
Adjusted earnings per share	Basic	11.6	8.6	35%
	Diluted	11.6	8.6	35%
<i>Add back legacy financing per share</i>		2.9	3.2	
Normalised adjusted earnings per share	Basic	14.5	11.8	23%
	Diluted	14.5	11.8	23%

The Group has not declared nor paid a dividend in the year.

Operating cash flow – before exceptionals is summarised below:

£m	FY21	FY20
EBITDA ^{1,2}	224.2	184.5
Change in net working capital ³	28.5	(20.6)
Capital expenditure	(18.6)	(21.9)
Operating cash flow	234.1	142.0
Operating cash conversion	104%	77%

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

²Before exceptional items of £80.5m (FY20: £12.0m).

³Working capital per the consolidated statement of cash flows, less exceptionals of £6.1m offset by £0.7m of IFRS2 accounting.

Operating cash flow was particularly strong in the year at 104% mainly due to timing of inventory purchases and resulting payments normalisation, together with stronger trade debtors collection at 42 days (FY20: 61 days).

Capex was £18.6m (FY20: £21.9m) and represented 2.4% of revenue (FY20: 3.3%) and was lower than prior year mainly due a pause on certain larger IT related projects as a result of Covid-19 cash protection plans (including implementation of Microsoft Dynamics D365 into APAC, which has now been re-started). Spend of £18.6m included £7.7m on new stores (FY20: £6.8m) and IT and ecommerce spend of £7.9m (FY20: £9.2m).

Net cash flow after interest and exceptionals

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

£m	FY21
Operating cash flow³	234.1
Net interest paid ¹	(7.4)
Payment of lease liabilities	(23.8)
Taxation	(33.1)
Free cash flow³ before exceptional items	169.8
Proceeds from new bank borrowings	300.0
Exceptional items ²	(27.0)
Preference shares redeemed	(341.4)
Net bank borrowings and facility repayments	(92.7)
Net cash flow	8.7
Opening cash	117.2
Net foreign exchange	(12.3)
Closing cash	113.6

¹Finance expense per the consolidated statement of cash flow, £12.8m, less exceptional cost of £5.4m of fees paid in relation to the new financing arrangements of £300.0m.

²All exceptionals paid were in relation to the IPO and refinancing event. Included within this amount is cash received from the EBT (from sale of share at the IPO date) of £42.0m which was used to part fund an all employee "IPO bonus".

³ Operating cash flow and free cash flow are Alternative Performance Measures defined in the Glossary on pages 75 and 76.

Funding

The Group is funded by cash, bank debt and equity with the refinancing event that took place in the year, previously described. Further details on the capital structure and debt are given in note 18 of the financial statements.

The new financing arrangements, as is normal, have a gearing covenant test, with the first test being on 30 September 2021 and subsequent tests every 6 months. The gearing test is calculated with a full 12 months of EBITDA¹ (before exceptionals) with net debt being inclusive of IFRS16 lease liabilities. At 31 March 2021 the Group had gearing of 1.15 times calculated below:

	£m
EBITDA¹	224.2 (A)
Bank debt ²	(287.5)
Cash	113.6
Net bank debt	(173.9)
Lease liabilities	(84.8)
Net financing	(258.7) (B)

Gearing ratio (times, B/A) 1.15x

²Excluding unamortised fees of £5.9m

The Group borrowed €337.5m on 29 January 2021 (equivalent to £300.0m at that date) with the value now at £287.5m due to exchange rate movements. The borrowings were in Euros to reflect the excess Euros the Group generates from trading in continental Europe to fund interest costs (with US dollar generated broadly funding US dollar purchase of inventory and GBP generated broadly funding GBP related costs).

Pensions

Airwair International Limited (a subsidiary of the Group), operates 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 of the financial statements. The surplus under the scheme is not recognised as an asset benefiting the Group on the balance sheet on the basis that the Group is unlikely to derive any economic benefits from that surplus.

The Group also operates a defined contribution scheme for its employees and during the year the Group contributions to this scheme were £5.8m (FY20: £4.8m). At 31 March 2021 this scheme had assets of £15.5m (31 March 2020: £9.8m).

Balance sheet

The balance sheet is summarised below:

£m	31 March 2021	31 March 2020
Freeholds	6.1	6.0
Right-of-use assets	77.4	82.0
Other fixed assets	46.6	43.2
Working capital	25.5	69.6
Deferred tax	7.2	7.4
Operating net assets	162.8	208.2
Goodwill	240.7	240.7
Cash	113.6	117.2
Bank debt ¹	(281.6)	(94.3)
Lease liabilities	(84.8)	(88.4)
Preference shares	-	(312.9)
Net assets	150.7	70.5

¹Bank debt net of £5.9m unamortised debt issue costs

The working capital balance of £25.5m (FY20: £69.6m) predominantly reflects inventory of £101.5m (FY20: £90.0m), trade and other receivables of £59.4m (FY20: £68.2m), trade and other payables of £133.0m (FY20: £88.9m) and other items (derivatives, tax, and provisions). The reduction in working capital was mainly increased creditors, resulting from a normalisation of inventory purchases compared to the prior year.

Equity of £150.7m at 31 March 2021 can be analysed as follows:

	£m
Share capital	10.0
Hedging reserve	(0.1)
Merger reserve	(1,400.0)
Non-UK translation reserve	2.7
Retained earnings	1,538.1
	150.7

Included in retained earnings is Dr. Martens plc (the Company) distributable reserves of £1,385.0m.

Viability assessment

In accordance with the UK Corporate Governance Code, the Directors have assessed the viability of the Group over a three year period to 31 March 2024, which is longer than the 15 month outlook adopted in the going concern basis of accounting (as described on note 2 of the financial statements). As part of this assessment, the Directors have analysed the prospects of the Group by reference to its current financial position, recent trading trends and momentum (in particular the resilient trading performance in the last financial year during Covid-19), its forecasts and financial projections, strategy, economic model and the principle risks and mitigating factors, and also those arising from Covid-19 described on page 4.

Over the last three years, the Group has grown revenue by £318.6m to £773.0m representing CAGR% growth of 19% and grown EBITDA¹ to £224.2m (from £85.0m), representing a CAGR% growth rate (excluding IFRS16 accounting in latter two years) of 33%. The assessment is described in more detail below.

Group Planning Process

Our normal planning process consists of a rigorous review of the DOCS strategy (described on pages 4 to 5) by the Leadership Team on an annual basis, following which an updated long-term financial plan is derived and reviewed with the Board. Before the beginning of a new financial year a detailed, bottom up budget is prepared with thorough review and discussion between each region President and CEO, CFO & COO, and presentation and discussion with the Board. We monitor our performance through the financial year against this budget and prior year actual performance with formal re-forecast processes conducted as required. The key assumptions considered in all reviews are:

- trading performance by channel,
- trading performance by product and geography, expenditure plans, and
- cash generation.

We also consider projected liquidity, balance sheet strength and potential impact on shareholder returns.

Assessment Period

The Directors have assessed the viability of the Group over a three year period to March 2024, as this aligns to our internal planning cycle. The planning for this three year period is assessed by month and includes well thought through investments, plans and actions.

Trading Outlook

The immediate outlook for the year as a whole is likely to be volatile and 'bumpy' and closely linked to vaccination progress, easing of social restrictions and economies normalising and evolving to whatever a post Covid-19 normality might be. Whilst all our core markets have begun vaccination programmes, the pace of these has varied significantly by country. At the time of writing the UK and USA look likely to have the majority of their populations vaccinated by mid-summer with Continental Europe probably later in the autumn and Asia maybe not majoritively vaccinated until the end of the calendar year. In addition, new variants may complicate and delay our pathway to new normality.

Further, we need to see how consumers will react post Covid-19 with an upside scenario from potential pent up demand maybe driving economic activity, further fuelled in the US with stimulus payments versus a downside scenarios of increased unemployment and lower spending power. At the time of writing the outcome remains uncertain both globally and by geography.

Our central planning assumptions are:

- the trend towards ecommerce to continue, though probably at a slower pace than during the financial year ended March 2021,
- stores not fully returning to pre Covid-19 levels of profitability across the period under review,
- our core markets to continue to be negatively impacted by some form of social restrictions through the first year and then slowly recover but we do not plan for a speedy recovery to pre Covid-19 level of economic activity across the period under review.

These conservative central assumptions form the base case for our FY22 budget, Viability statement assessments, Going Concern statement and store impairment analysis.

We have modelled the impact on one severe but plausible scenario represented by revenue growth at 10% pts lower than the base plan across all channels and geographies.

Under this scenario we did not model any mitigating actions (including dividend payments). The outputs of this scenarios is described below.

Assessment of Viability

Viability has been assessed by:

- Where appropriate and practical, we assessed the impact of a number of risks (which also describes likelihood of occurrence) crystallising and subsequent impact on trading, cashflows and covenant compliance. The main risks assessed are given below and the Group continues to have satisfactory liquidity and covenant headroom under each risk modelled:
 - the impact of a large distribution centre being out of action for a period of around 6 months (being the estimated time to set up a new third party operation),
 - the impact of a large third party factory being out of operation for a period of around 6 months (being the estimated time to divert production capacity to other factories),
 - websites out of action for a period (here we assessed an average day lost at peak trading as if much longer it would be likely a significant proportion of revenue would be transferred to our own stores and wholesale stores and websites).
- 'Top-down' sensitivity and stress testing, which included a review of the cashflow projections and covenant compliance under a severe but plausible scenario in relation to the downside scenario described above. Experience through the year to March 2021 indicated minimal wholesale bad debt risk, and minimal margin risk with the principle risk being lower revenue. In the scenario modelled, the Group continues to have satisfactory liquidity and covenant headroom throughout the period under review.
- A series of reverse stress tests were also carried out to determine what could 'break' covenant compliance estimates and liquidity on an annual and three year cumulative basis before mitigating actions. To model these reverse stress tests we calculated the impact on revenue of zero covenant headroom at end year 1 and end year 3 and also impact of zero liquidity on these dates. Under all reverse stress tests modelled, we did not model any mitigating actions (including dividend payments) and then assessed the resulting revenues calculated and likelihood of occurring. We assessed the likelihood of occurrence to be remote.

We will continue to monitor the effects of Covid-19 on our Group and the economies of the countries where we operate and we 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.

Statement

Based on the analysis, the Directors have a reasonable expectation that the Group will continue in operation and meet its liabilities as they fall due over the three-year period of this assessment.

Consolidated Statement of Profit or Loss For the year ended 31 March 2021

	Notes	Total 2021 £m	Total 2020 £m
Revenue	3	773.0	672.2
Cost of sales		(302.5)	(270.7)
Gross profit		470.5	401.5
Selling and administrative expenses	4	(358.0)	(259.0)
Operating profit		112.5	142.5
EBITDA	3	224.2	184.5
Exceptional items	4	(80.5)	(12.0)
EBITDA (post exceptional items)		143.7	172.5
Depreciation, amortisation and foreign exchange gains/(losses)	4	(31.2)	(30.0)
Operating profit	4	112.5	142.5
Finance expense ¹	8	(41.6)	(41.5)
Profit before tax		70.9	101.0
Tax expense	9	(35.2)	(26.2)
Profit for the year		35.7	74.8
		2021	2020 (Restated ²)
Earnings per share			
Basic	10	3.6p	7.5p
Diluted	10	3.6p	7.5p
Adjusted earnings per share			
Basic	10	11.6p	8.6p
Diluted	10	11.6p	8.6p

¹ Finance expense includes non-cash interest on preference shares of £28.5m (FY20: £31.5m) and on 28 January 2021 all preference shares were redeemed in full.

² Following a reorganisation of the Group and share dilution on IPO, the Group has applied IAS33 to restate earnings per share to reflect the sub-division of shares during the year but where there has been no inflow of resources due to shares being issued to existing shareholders for no consideration.

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 2021

		Total	Total
		2021	2020
	Notes	£m	£m
Profit for the year		35.7	74.8
Other comprehensive(expense)/income			
Items that may subsequently be reclassified to profit or loss			
Currency translation differences		(7.4)	2.7
Cash flow hedges		(1.6)	1.4
		(9.0)	4.1
Items that will not be reclassified to profit or loss			
Re-measurement of post-employment benefit obligations	29	-	-
Tax relating to post-employment benefit obligations	29	-	-
		-	-
Total comprehensive income for the year		26.7	78.9

Consolidated Balance Sheet

As at 31 March 2021

	Notes	Total 2021 £m	Total 2020 £m
Non-current assets			
Intangible assets	12	260.8	257.2
Property, plant and equipment	13	32.6	32.7
Right-of-use assets	13	77.4	82.0
Deferred tax assets	22	7.2	7.4
Pension fund surplus	29	-	-
		378.0	379.3
Current assets			
Inventories	14	101.5	90.0
Trade and other receivables	15	59.4	68.2
Income tax assets		-	0.3
Derivatives and other financial assets	20	0.3	1.5
Cash and cash equivalents	16	113.6	117.2
		274.8	277.2
Total assets		652.8	656.5
Current liabilities			
Trade and other payables	17	(133.0)	(88.9)
Borrowings - Bank ¹	18	-	(20.0)
- Lease liabilities	18	(18.2)	(21.8)
Income tax payable		(1.1)	-
		(152.3)	(130.7)
Non-current liabilities			
Borrowings - Bank ¹	18	(281.6)	(74.3)
- Redeemable preference shares	18	-	(312.9)
- Lease liabilities	18	(66.6)	(66.6)
Provisions	19	(1.6)	(1.5)
		(349.8)	(455.3)
Total liabilities		(502.1)	(586.0)
Net assets		150.7	70.5
Equity attributable to the owners of the parent			
Share capital	23	10.0	-
Hedging reserve	24	(0.1)	1.5
Capital redemption reserve	24	-	(165.8)
Merger reserve	24	(1,400.0)	-
Non-UK currency translation reserve	24	2.7	10.1
Retained earnings	24	1,538.1	224.7
Total equity		150.7	70.5

¹ Included in bank debt is £5.9m of unamortised fees (FY20: £0.5m).

The notes on pages 27 to 72 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity For the year ended 31 March 2021

	Notes	Share capital £m	Hedging reserve £m	Capital reserve - own shares £m	Capital redemption reserve £m	Merger reserve £m	Foreign exchange translation reserve £m	Retained earnings ¹ £m	Total equity £m
At 1 April 2019		-	0.1	-	(186.0)	-	7.4	170.1	(8.4)
<i>Comprehensive income</i>									
Profit for the year		-	-	-	-	-	-	74.8	74.8
Other comprehensive income		-	1.4	-	-	-	2.7	-	4.1
Total comprehensive income for the year		-	1.4	-	-	-	2.7	74.8	78.9
Capital redemption reserve distributions		-	-	-	20.2	-	-	(20.2)	-
At 31 March 2020		-	1.5	-	(165.8)	-	10.1	224.7	70.5
<i>Comprehensive income</i>									
Profit for the year		-	-	-	-	-	-	35.7	35.7
Other comprehensive expense		-	(1.6)	-	-	-	(7.4)	-	(9.0)
Total comprehensive income for the year		-	(1.6)	-	-	-	(7.4)	35.7	26.7
Own shares and other equity transactions		-	-	(0.9)	-	-	-	1.2	0.3
Share issues during the period		-	-	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	25	-	-	-	-	-	-	11.5	11.5
At 31 March 2021		10.0	(0.1)	-	-	(1,400.0)	2.7	1,538.1	150.7

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

For further information on the nature of each reserve, please refer to note 24.

The notes on pages 27 to 72 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2021

	Notes	2021	2020
		£m	£m
Profit after taxation		35.7	74.8
Add back: income tax expense		35.2	26.2
finance expense		41.6	41.5
Operating profit		112.5	142.5
Depreciation and amortisation		35.0	29.5
Net foreign exchange rate (losses)/gains		(3.8)	0.9
Share-based payments	25, 26	11.5	-
Restricted cash		4.2	-
Increase in inventories		(18.1)	(36.1)
Decrease/(increase) in trade and other receivables		0.8	(16.6)
Increase in trade and other payables		51.2	35.7
Change in working capital		33.9	(17.0)
Cash flows from operating activities			
Cash generated from operations		193.3	155.9
Taxation paid		(33.1)	(34.5)
Cash generated from operating activities		160.2	121.4
Cash flows from investing activities			
Additions to intangible assets	12	(8.2)	(8.4)
Additions to property, plant and equipment	13	(10.4)	(13.5)
Cash used in investing activities		(18.6)	(21.9)
Cash flows from financing activities			
Finance expense ¹		(12.8)	(5.4)
Payment of lease liabilities	28	(23.8)	(20.4)
Proceeds from new bank borrowings	18	300.0	-
Net bank borrowings and facility (repayments)/drawdowns	18	(92.7)	16.8
Preference share repayments	18	(341.4)	(35.0)
Sale of shares from EBT		37.8	-
Cash used in financing activities		(132.9)	(44.0)
Net increase in cash and cash equivalents		8.7	55.5
Cash and cash equivalents at beginning of year		117.2	58.4
Effect of exchange on cash held		(12.3)	3.3
Cash and cash equivalents at end of year	16	113.6	117.2

¹ Included in finance expense in the current year are fees paid of £5.4m in relation to the new financing arrangements of £300.0m.

The notes on pages 27 to 73 are an integral part of these financial statements.

Consolidated non-GAAP Statement of Cash Flows For the year ended 31 March 2021

	Notes	2021	2020
		£m	£m
EBITDA ¹	3	224.2	184.5
Change in net working capital		28.5	(20.6)
Capital expenditure	12,13	(18.6)	(21.9)
Operating cash flow³		234.1	142.0
Net interest paid		(7.4)	(5.4)
Payment of lease liabilities	28	(23.8)	(20.4)
Taxation		(33.1)	(34.5)
Free cash flow³ before exceptional items		169.8	81.7
Proceeds from new bank borrowings	18	300.0	-
Exceptional items ²	4	(27.0)	(8.0)
Preference share redemption	18	(341.4)	(35.0)
Net bank borrowing and facility repayments	18	(92.7)	16.8
Net cash flow		8.7	55.5
Opening cash	16	117.2	58.4
Net cash foreign exchange		(12.3)	3.3
Closing cash	16	113.6	117.2

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

² All exceptionals paid were in relation to the IPO and refinancing event. Included within this amount is cash received from the EBT (from sale of share at the IPO date) of £42.0m which was used to part fund an all employee “IPO bonus” and £5.4m of fees paid in relation to the new financing arrangements of £300.0m.

³ Operating cash flow and free cash flow are Alternative Performance Measures defined in the Glossary on pages 210 and 211.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2021

The preliminary results were authorised for issue by the Board of Directors on 16 June 2021. The financial information set out herein does not constitute the Group's statutory consolidated financial statements for the years ended 31 March 2021 or 2020, but is derived from those accounts. Statutory consolidated financial statements for 2021 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. Statutory consolidated financial accounts for the previous holding company Doc Topco Limited for 2020 are filed at Companies House. The auditors have reported on those accounts; their report was unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

1. General information

Dr. Martens plc (formerly Dr. Martens Limited) (the "Company") was incorporated in England and Wales on 19 October 2020 as Ampholdco Limited, a private company limited by shares in the United Kingdom, renamed Dr. Martens Limited on 22 December 2020 and re-registered as a public company limited by shares and renamed Dr. Martens plc on 22 January 2021 with its registered office situated in England and Wales. As of 18 December 2020, the Company's registered office is: 28 Jamestown Road, Camden, London NW1 7BY. Prior to this date the registered office was Cobbs Lane, Wollaston, Northamptonshire, NN29 7SW.

Following the Group reorganisation described below, 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. On 29 January 2021, the entire issued share capital of the Company was admitted to the premium listing segment of the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange's Main Market for listed securities.

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 years presented, unless otherwise stated. Amounts are presented in GBP and to the nearest million pounds (to one decimal place) unless otherwise noted.

2.1. Group reorganisation

On 14 December 2020, 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. Further details can be found in note 23.

Under merger accounting principles, the assets and liabilities of the subsidiaries are consolidated at book value in the Group financial statements and the consolidated reserves of the Group have been adjusted to reflect the statutory share capital of the Company with the difference presented as the merger reserve.

These consolidated financial statements of the Group are the first set of financial statements for the newly formed Group and the prior period has been presented as a continuation of the former Doc Topco Limited Group on a consistent basis as if the Group reorganisation had taken place at the start of the earliest period presented. The prior period comparatives are those of the former Doc Topco Limited Group since no substantive economic changes have occurred.

2.2. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and with International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2021

2. Accounting policies (continued)

2.3. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2021 and 31 March 2020. 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.

2.4. 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 2020:

- Interest Rate Benchmark Reform – Phase 1 (Amendments to IFRS 9, IAS 39 and IFRS 7).
- Definition of a Business – (Amendments to IFRS 3).
- Definition of Material – (Amendments to IAS 1 and IAS 8).
- Amendments to References to the Conceptual Framework in IFRS Standards.

The 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.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2021

2. Accounting policies (continued)

2.5. 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 Sterling 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.

2.6. 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 2022 and the going concern basis is dependent on the Group maintaining adequate levels of resources to operate during the period.

The Directors also considered the Group funding arrangements at 31 March 2021 with cash of £113.6m, available undrawn facilities of £195.4m and bullet debt repayment of £300.0m not due until 2026.

The financial year to 31 March 2021 was dominated by Covid-19 and it is highly likely the majority of the going concern period will also be impacted by Covid-19 albeit to a lesser extent but reliant upon vaccination pace and vaccinations success in our core markets. The impact of Covid-19 on the Group during the year to 31 March 2021 is described page 4 (Covid-19 – Resilience through the pandemic).

The Directors prepare their detailed forecasts and plans for the assessment period taking into account their experiences of trading through the financial year to March 2021, including the impact of Covid-19 on profitability, cashflow and covenant compliance. Trading in the year also identified that payments from wholesale customers remained strong throughout with no material increase in bad debts. Our distribution centres (DC) remained operational throughout the period while operating with appropriate social distancing. In addition we opened a second DC in the US such that both EMEA and Americas have dual functionality to pick orders from either DC further reducing the risk of picking and dispatching orders.

The Directors remain vigilant and continue to monitor the effects of Covid-19 in all our core markets and across ecommerce, retail and wholesale channels in these markets and will react appropriately to further developments and associated risks.

As part of the going concern assessment, management have modelled, and the Directors have reviewed a number of different scenarios including a severe but plausible downside scenario described in the Viability Statement set out on pages 18 to 20 with no planned cost or working capital mitigation (including the payment of dividends). Given the backdrop of Covid-19 and continued global economic uncertainty the principal risk for modelling purposes relates to the achievement of planned growth in revenue and accordingly we have sensitised our revenue assumptions versus our base case plan. To date we have had minimal experience of bad debts, lower margins or restricted supply.

In the scenarios modelled, the Group continues to have satisfactory liquidity and covenant headroom throughout the period under review.

In addition, we have also modelled a reverse stress test where we calculated the impact on revenue off setting covenant headroom to zero and also zero liquidity (with methodology described in viability statement) and assessed the likelihood of occurrence to be remote.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2021

2. Accounting policies (continued)

2.6. Going concern (continued)

Should a more 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, and delay/cancellation of IT related capex and reduced future dividend payments. A more extreme downside scenario is not considered plausible.

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 trading and cashflow forecasts, the Directors are satisfied that the Group will maintain an adequate level of resources to be able to continue to operate during the period under review.

2.7. 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 and, during the year, sold shares at market value to certain individuals. The EBT was consolidated on the basis the parent company has control thus, the assets and liabilities of the EBT were included on the Group Balance Sheet and shares held by the EBT in the Company were presented as a deduction from equity. The cash received was defined as restricted cash as the Company had no access, recourse or direction of that cash but was required to consolidate as restricted cash.

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 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 to 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2021

2. Accounting policies (continued)

2.8 Revenue (continued)

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 £1.9m of which £nil related to the UK. The Group received and subsequently repaid the UK furlough monies of £1.3m in the early part of the pandemic. The repayment is presented net of the grants received.

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 costs

Exceptional costs 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 2021

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 good will, 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.

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 33½% straight line method

Any gain or loss arising on the de-recognition 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.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2021

2. Accounting policies (continued)

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).

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 accounts 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 2021, the Group received £0.7m of rent concessions from landlords, which have been offset against operating expenses.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2021

2. Accounting policies (continued)

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 receivables are measured at amortised cost.

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.

2.21. Financial liabilities

The Company classifies all of its 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2021

2. Accounting policies (continued)

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.

Defined benefit pension scheme

The Group operates a defined benefit pension scheme, which requires contributions to be made to separately administered funds. 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. The value of a net pension benefit asset is restricted to the sum of any unrecognised past service costs and the present value of any amount the Group expects to recover by way of refunds from the plan or reductions in future contributions. 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. 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 derivative financial instruments, 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 re-measured 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:

1. quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
2. 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
3. inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2021

2. Accounting policies (continued)

2.24. Derivative financial instruments and hedging activities (continued)

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 a hedging derivative 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. Foreign exchange forward contracts are recorded as a current asset and liability.

2.25. Share-based payments

The Group provides benefits to certain employees (including Executive Directors) in the form of a 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. 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 75 to 76 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.

2.28. 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 effect 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 customer segments that have similar loss patterns, current credit status of the customer and forward-looking information such as current economic conditions.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2021

2.28. Significant judgements and estimates (continued)

Key judgements (continued)

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

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

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

The Group included the renewal period as part of the lease term for leases of plant and machinery with shorter non-cancellable periods (i.e. three to five years). The Group typically exercises its option to renew for 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 significant judgement involved in determining the Group's corporation tax provision. There are transactions and calculations for which the ultimate tax determination is uncertain. 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.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2021

2. Accounting policies (continued)

Key sources of estimation uncertainty and assumptions (continued)

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 2021

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 EBITDA¹. 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, and Americas revenue is fully attributable to USA, including export revenue to certain South America markets, and APAC revenue is mainly attributable to China and Japan.

	2021 £m	2020 £m
Revenue by geographical market		
EMEA	335.6	287.9
Americas	295.8	252.2
APAC	141.6	132.1
Total revenue	773.0	672.2

	2021 £m	2020 £m
EBITDA by geographical market		
EMEA	115.3	92.4
Americas	91.9	75.4
APAC	39.7	35.5
Support costs	(22.7)	(18.8)
EBITDA	224.2	184.5
Exceptional items (note 4)	(80.5)	(12.0)
EBITDA (post exceptional items)	143.7	172.5
Depreciation and amortisation	(13.5)	(11.6)
Depreciation of right-of-use assets ¹	(21.5)	(17.9)
Foreign exchange gains/(losses)	3.8	(0.5)
Depreciation, amortisation & foreign exchange gains/(losses)	(31.2)	(30.0)
Operating profit	112.5	142.5

¹ Includes impairment charge of £1.1m recognised on right-of-use assets in relation to two stores (see note 13).

	2021 £m	2020 £m
Revenue by channel		
Ecommerce	235.4	136.4
Retail	99.7	165.2
Total DTC revenue	335.1	301.6
Wholesale	437.9	370.6
Total revenue	773.0	672.2

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2021

3. Segmental Analysis (continued)

	2021 £m	2020 £m
Non-current assets		
EMEA ¹	85.5	80.4
Americas	34.6	36.4
APAC	10.0	14.4
Group ²	240.7	240.7
Allocated non-current assets	370.8	371.9
Deferred tax (unallocated)	7.2	7.4
Total non-current assets	378.0	379.3

¹ Included in the EMEA non-current assets is £52.0m (FY20: £55.9m) in relation to the UK market.

² Included in the Group non-current assets is £240.7m (FY20: £240.7m) in relation to goodwill.

4. Expenses analysis

Operating profit is stated after charging:

	Notes	2021 £m	2020 £m
Selling and administrative expenses			
Staff costs	6	109.6	99.8
Operating costs		136.7	117.2
		246.3	217.0
Amortisation	12	4.5	3.2
Depreciation	13	9.0	8.4
Depreciation of right-of-use assets	13	21.5	17.9
Foreign exchange (gains)/losses		(3.8)	0.5
Depreciation, amortisation & foreign exchange (gains)/losses		31.2	30.0
Exceptional items		80.5	12.0
		111.7	42.0
Total selling and administrative expenses		358.0	259.0

Exceptional costs in the year were £80.5m (FY20: £12.0m) and 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 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 IFRS2 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 and charges including an element of unclaimable VAT. In the prior year exceptionals of £12.0m included consulting fees in relation to the Company's exploration and diligence associated with an exercise to review strategic options of £7.3m, charge in relation to the implementation of a new IT system (Microsoft Dynamics 365 in America's region) of £2.2m, costs for legal obligations and litigation of £1.9m with the balance mainly legal costs.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2021

5. Auditor's remuneration

	2021	2020
	£m	£m
Fees payable to the Company's auditor for the audit of the parent company and consolidated financial statements	0.5	0.3
Fees payable to the Company's auditor for other services:		
The audit of the Company's subsidiaries	0.6	0.6
Other services	0.1	0.1
	1.2	1.0
Fees payable to the Company's auditor for other services:		
Other services - exceptional items related to the IPO	2.4	-
	3.6	1.0

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 2021		For year ended 31 March 2021	
	2021	2020	2021	2020
	No.	No.	No.	No.
EMEA	703	607	1,125	1,032
Americas	446	397	575	548
APAC	356	268	382	371
Global support functions	392	334	351	337
	1,897	1,606	2,433	2,288

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

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

The aggregate payroll costs were as follows:

	2021	2020
	£m	£m
Wages and salaries	94.1	87.5
Social security costs	8.0	6.7
Share-based payments - LTIPs	0.7	-
Pension costs	5.8	4.8
Other post-employment benefits	1.0	0.8
	109.6	99.8
Exceptionals:		
IPO bonus for all employees	49.1	-
IFRS 2 accounting (non-cash) - see note 7	10.8	-
	169.5	99.8

7. Directors' remuneration

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

	2021	2020
	£m	£m
Salaries and benefits	2.5	1.9
Pension costs	0.1	-
	2.6	1.9
Exceptionals:		
IFRS2 (non-cash)	10.8	-
	13.4	1.9

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2021

7. Directors' remuneration (continued)

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.

The figures in the table above represent a full 12 month period to 31 March 2021 and are a mixture of two distinct ownership structures and remuneration practices, which can be analysed further as follows:

	Pre IPO ¹	Post IPO ²	2021 Total
	£m	£m	£m
Salaries and benefits ³	2.3	0.2	2.5
Pension costs	0.1	-	0.1
	2.4	0.2	2.6
Exceptionals: IFRS2 (non-cash) ⁴	10.8	-	10.8
	13.2	0.2	13.4

¹ From 1 April 2020 to 28 January 2021.

² From 29 January 2021 to 31 March 2021.

³ Salaries and benefits are inclusive of normal bonus payments paid in the financial year to March 2021. The Remuneration Report is inclusive of the bonus accrual for the two month period post IPO of £0.8m for performance in FY21 which is not included in this table.

⁴ 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, has been charged to exceptional items.

The remuneration of the highest paid Director was:

	2021	2020
	£m	£m
Salaries and benefits	1.3	1.0
Pension costs	-	-
	1.3	1.0
Exceptionals: IFRS2 (non-cash)	6.2	-
	7.5	1.0

	Pre IPO ¹	Post IPO ²	2021 Total
	£m	£m	£m
Salaries and benefits ³	1.2	0.1	1.3
Pension costs	-	-	-
	1.2	0.1	1.3
Exceptionals: IFRS2 (non-cash) ⁴	6.2	-	6.2
	7.4	0.1	7.5

¹ From 1 April 2020 to 28 January 2021.

² From 29 January 2021 to 31 March 2021.

³ Salaries and benefits are inclusive of normal bonus payments paid in the financial year to March 2021. The Remuneration Report is inclusive of the bonus accrual for the two month period post IPO of £0.2m for performance in FY21 which is not included in this table.

⁴ Refer to note 4 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 (FY20: £nil). Further details on Directors' remuneration can be found in the Remuneration Report.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2021

8. Finance expense

	2021	2020
	£m	£m
Bank debt - net (cash)	6.5	5.3
Preference interest (non-cash)	28.5	31.5
Interest on lease liabilities (non-cash)	3.7	3.9
Amortisation loan issue costs - New funding (non-cash)	0.2	-
Amortisation loan issue costs - Old funding (non-cash)	2.7	0.8
Total financing expense	41.6	41.5

On 29 January 2021 the Company refinanced its operations with new bank debt of £300.0m and a working capital facility of £200.0m. The term debt is for five years with bullet repayment on 2 February 2026 and interest cost of £1.6m. The funds were used to repay in full all legacy, pre-IPO financing arrangements including previous bank funding arrangements and all preference shares.

9. Taxation

	2021	2020
	£m	£m
Current tax		
Current tax on UK profit for the year	29.6	21.4
Adjustment in respect of prior years	(1.0)	-
Current tax on overseas profits for the year	6.4	6.2
	35.0	27.6
Deferred tax		
Origination and reversal of temporary differences	(1.0)	(1.5)
Adjustment in respect of prior years	1.2	0.1
	0.2	(1.4)
Total tax expense in the Statement of Profit or Loss	35.2	26.2
Other Comprehensive Income		
Current tax on UK profit for the year	-	-
Total tax expense in the Statement of Comprehensive Income	35.2	26.2

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2021

9. Taxation (continued)

	2021	2020
	£m	£m
Factors affecting the tax expense for the year:		
Profit before tax	70.9	101.0
Profit before tax multiplied by standard rate of UK corporation tax of 19% (FY20: 19%)	13.5	19.2
<i>Effects of:</i>		
Non-deductible expenses ¹	21.2	6.0
Temporary differences not provided for	(0.2)	(0.3)
Adjustments in respect of prior periods	0.2	0.1
Effect of change in tax rate	(0.2)	0.4
Intangibles capitalised allowable for tax purposes	(0.6)	-
Non-UK tax	1.4	0.9
Other adjustments	(0.1)	(0.1)
Total tax expense	35.2	26.2

¹ No non-deductible expenses relate to the disallowable amount of the preference share interest of £28.5m and exceptional items of £80.5m.

The tax charge for the year was £35.2m with an effective tax rate of 49.6% which is higher than the UK corporate tax of 19.0% and mainly due to non-deductibility of certain expenses and also geographical mix of profits at different tax rates.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 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.

	2021	2020
	£m	£m
Profit after tax	35.7	74.8
Exceptional items (note 4)	80.5	12.0
Tax on exceptional items	-	(1.0)
Adjusted¹ profit after tax	116.2	85.8

	2021	2020
	No.	No. (Restated ²)
Weighted average number of shares for calculating basic earnings per share (millions)	1,000.0	1,000.0
Potentially dilutive share awards	0.4	-
Weighted average number of shares for calculating diluted earnings per share (millions)	1,000.4	1,000.0

	2021	2020
		(Restated ²)
Earnings per share		
Basic earnings per share	3.6p	7.5p
Diluted earnings per share	3.6p	7.5p

Adjusted¹ earnings per share		
Adjusted ¹ basic earnings per share	11.6p	8.6p
Adjusted ¹ diluted earnings per share	11.6p	8.6p

¹ Adjusted earnings per share is calculated on adjusted profit after tax, being profit after tax before exceptional items.

² Following a reorganisation of the Group on IPO, the Group has applied IAS 33; earnings per share have been restated to reflect the sub-division of shares in the year ended 31 March 2021.

11. Dividends

The Company has not declared nor paid a dividend for the year.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2021

12. Intangible fixed assets

	Software £m	Goodwill £m	Total £m
Cost			
At 1 April 2019	16.6	240.7	257.3
Additions	8.4	-	8.4
Foreign exchange	0.2	-	0.2
At 31 March 2020	25.2	240.7	265.9
Additions	8.2	-	8.2
Disposals	(0.9)	-	(0.9)
Reclassifications to tangible fixed assets	0.3	-	0.3
Foreign exchange	(0.5)	-	(0.5)
At 31 March 2021	32.3	240.7	273.0
Accumulated amortisation			
At 1 April 2019	5.5	-	5.5
Charge for the year	3.2	-	3.2
At 31 March 2020	8.7	-	8.7
Charge for the year	4.5	-	4.5
Disposals	(0.9)	-	(0.9)
Reclassifications to tangible fixed assets	0.2	-	0.2
Foreign exchange	(0.3)	-	(0.3)
At 31 March 2021	12.2	-	12.2
Net book value			
At 31 March 2021	20.1	240.7	260.8
At 31 March 2020	16.5	240.7	257.2

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2021

12. Intangible fixed assets (continued)

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:

	2021	2020
	£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 (FY20: £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 Group 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 up to 1.4% 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 2021

13. Property, plant and equipment

	Freehold property £m	Leasehold improvements £m	Plant and machinery £m	Office equipment £m	Motor vehicles £m	Total £m
Cost or valuation						
At 1 April 2019	6.9	34.3	2.4	3.9	0.1	47.6
Additions	-	10.4	1.1	2.0	-	13.5
Disposals ¹	(0.2)	(2.8)	(0.1)	(0.7)	-	(3.8)
Foreign exchange	0.2	1.7	0.1	-	-	2.0
At 31 March 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 ²	-	(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
Depreciation and impairment						
At 1 April 2019	0.8	16.0	1.2	2.6	0.1	20.7
Charge for the year	0.1	5.7	0.5	1.5	-	7.8
Impairment ³	-	0.6	-	-	-	0.6
Eliminated on disposal ¹	(0.2)	(2.8)	(0.1)	(0.7)	-	(3.8)
Foreign exchange	0.2	0.9	-	0.2	-	1.3
At 31 March 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 ²	-	(0.5)	-	(0.9)	-	(1.4)
Reclassifications between asset class	-	(0.4)	-	0.4	-	-
Reclassifications to intangible 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
Net book value						
At 31 March 2021	6.1	22.7	1.9	1.9	-	32.6
At 31 March 2020	6.0	23.2	1.9	1.6	-	32.7

¹ Disposals represent assets that had a £nil net book value and were therefore written off during the year.

² The Group carried out a physical verification of assets during the year 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 year to £nil net book value.

³ An impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. During the year an impairment of £nil (FY20: £0.6m) was recognised for certain retail store assets where the carrying amount of the asset exceeded its value in use over the next five years. The remaining value in use for the above impaired assets was deemed to be £nil (FY20: £nil).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2021

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 2019	-
Adoption of IFRS 16	80.6
Additions	18.8
Modification of leases ¹	0.5
At 31 March 2020	99.9
Additions	23.0
Modification of leases ¹	(2.2)
Foreign exchange	(3.9)
At 31 March 2021	116.8
Depreciation and impairment	
At 1 April 2019	
Charge for the year	17.9
At 31 March 2020	17.9
Charge for the year	20.4
Impairment ²	1.1
At 31 March 2021	39.4
Net book value	
At 31 March 2021	77.4
At 31 March 2020	82.0

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

² During the year, impairment charges of £1.1m were recognised on right-of-use assets in relation to two stores which have future cash flows lower than the value of the right-of-use assets and one closed store that the Group still held a lease on (FY20: Enil).

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 2021

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 2021/22 represent 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

	2021	2020
	£m	£m
Raw materials	1.3	0.7
Finished goods	100.2	89.3
Inventories net of provision	101.5	90.0
Inventory provision	3.9	2.8
Inventory written off to Consolidated Statement of Profit or Loss	1.5	1.5

15. Trade and other receivables

	2021	2020
	£m	£m
Trade receivables	52.0	57.8
Less: allowance for expected credit losses	(1.3)	(2.3)
Trade receivables – net	50.7	55.5
Other receivables	5.3	9.2
	56.0	64.7
Prepayments and accrued income	3.4	3.5
	59.4	68.2

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 2021 the amount of collateral held was £0.6m (FY20: £0.9m).

As at 31 March 2021 trade receivables of £0.5m (FY20: £2.7m) 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:

	2021	2020
	£m	£m
Over 90 days	0.5	2.7

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2021

15. Trade and other receivables (continued)

As at 31 March 2021 trade receivables were carried net of expected credit losses (previously referred to as bad debt provisions) of £1.3m (FY20: £2.3m). The individually impaired receivables relate mainly to accounts which are outside the normal credit terms. The ageing analysis of these receivables is as follows:

	2021	2020
	£m	£m
Up to 60 days	1.0	0.3
60 to 90 days	-	-
Over 90 days	0.3	2.0
	1.3	2.3
	2021	2020
	£m	£m
At 1 April	2.3	0.8
Change in provision for expected credit losses	(1.0)	1.5
At 31 March	1.3	2.3
Debtors days	42	61

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

	2021	2020
	£m	£m
UK Sterling	3.0	3.8
Euro	9.6	5.2
US Dollar	29.1	33.4
Japanese Yen	2.8	6.5
Other currencies	6.2	6.6
	50.7	55.5

16. Cash and cash equivalents

	2021	2020
	£m	£m
Cash and cash equivalents	113.6	117.2

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2021

17. Trade and other payables

	2021	2020
	£m	£m
Current		
Trade payables	52.6	33.4
Taxes and social security costs	5.3	3.8
Other payables	5.3	5.4
Bank interest and finance charges	1.3	0.1
	64.5	42.7
Accruals and deferred income	68.5	46.2
	133.0	88.9

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 2021, other payables consisted of £4.4m (FY20: £5.4m) in relation to employment related payables.

18. Borrowings

	2021	2020
	£m	£m
Current		
RCF loans	-	10.7
Bank overdraft	-	9.3
Facilities drawn	-	20.0
Lease liabilities (note 28)	18.2	21.8
Total current interest bearing loans and borrowings	18.2	41.8
Non-current		
Bank loans (including unamortised fees)	281.6	74.3
Lease liabilities (note 28)	66.6	66.6
Redeemable preference 'A' shares	-	54.0
'B' shares	-	258.9
Total redeemable preference shares	-	312.9
Total non-current	348.2	453.8
Total borrowings	366.4	495.6
<i>Split of above (excluding lease liabilities):</i>		
Facilities drawn	-	20.0
Non-current bank loans	281.6	74.3
Net bank borrowings (including unamortised fees)	281.6	94.3
Add back unamortised fees	5.9	0.5
Total gross bank borrowings	287.5	94.8

On 29 January 2021, the Group entered into a New Facilities Agreement, comprising a new term B loan 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. Following this the Company immediately repaid all legacy financing arrangements in full including £341.4m of preference shares and bank debt of £92.7m. The Group value of debt at 31 March 2021 (excluding unamortised fees) of £287.5m is £12.5m lower than the amount borrowed on 29 January 2021 due to exchange rate movement.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2021

18. Borrowings (continued)

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

	2021 £m	2020 £m
RCF loans	-	10.7
Bank overdraft	-	9.3
Facilities drawn	-	20.0
UK GBP	-	27.0
Total GBP bank loans	-	47.0
Euro	287.5	21.8
Hong Kong Dollar	-	13.3
Japanese Yen	-	12.7
Total Bank loans	287.5	74.8
Total Bank loans and facilities	287.5	94.8
UK GBP – A Preference Shares	-	54.0
– B Preference Shares	-	258.9
Redeemable preference shares	-	312.9
Total Borrowings	287.5	407.7
Memo: total UK GBP	-	359.9

Loan repayments will occur as follows:

	<u>B Loan (Euro)</u> £m
Year to 31 March	
2026 (February 2026)	287.5
Total	287.5

Interest is chargeable on the loan at the following rate:

	2021 £m	Base rate	Margin %
Bank loan B (Euro)	287.5	EURIBOR	2.75
Total loans before unamortised fees	287.5		

These shares were unsecured and have been fully repaid:

	2021 £m	2020 £m
Redeemable preference 'A' shares	-	54.0
Redeemable preference 'B' shares	-	258.9
	-	312.9

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2021

18. Borrowings (continued)

Bank loans

	2021	2020
	£m	£m
Revolving credit facility utilisation		
RCF loans	-	10.7
Bank overdraft	-	9.3
Guarantees	2.6	2.2
Foreign exchange hedging contracts	2.0	0.2
Total utilised facility	4.6	22.4
Available facility (unutilised)	195.4	12.6
Total revolving facility	200.0	35.0
	%	%
Interest rate charged on unutilised facility	0.88	1.40

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.

Redeemable preference shares

Interest charged during the year on preference shares which were redeemed in full in the year is as follows:

	2021	2020
	£m	£m
Redeemable preference 'A' shares	2.7	3.1
Redeemable preference 'B' shares	25.8	28.4
	28.5	31.5

The preference share interest accrues and was payable on redemption of the preference shares on 28 January

2021. Movements in bank loans and preference shares were as follows:

	1 April 2020	Cash flows			Foreign exchange movement	Non-cash capitalised interest	31 March 2021
		New loans	Repayment of capital	Repayment of interest			
	£m	£m	£m	£m	£m	£m	£m
Bank loans (B and C)	74.8	-	(72.7)	-	(2.1)	-	-
Bank loans (new 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

	1 April 2019	Cash flows			Foreign exchange movement	Non-cash capitalised interest	31 March 2020
		New loans	Repayment of capital	Repayment of interest			
	£m	£m	£m	£m	£m	£m	£m
Bank loans	75.6	-	(3.2)	-	2.4	-	74.8
Preference shares	316.4	-	(20.2)	(14.8)	-	31.5	312.9
Total borrowings	392.0	-	(23.4)	(14.8)	2.4	31.5	387.7

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2021

19. Provisions

	Other provisions £m	Property provisions £m	Total £m
At 1 April 2020	-	1.5	1.5
Arising during the year	0.1	-	0.1
At 31 March 2021	0.1	1.5	1.6

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

	2021 £m	2020 £m
Assets		
Foreign exchange forward contracts	0.3	1.5

The Group does not have any derivative liabilities as at 31 March 2021 or 31 March 2020.

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. Trading derivatives are classified as a current asset or liability. The full fair value of a hedging derivative 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. All the foreign exchange forward contracts mature before 31 March 2022; therefore, these have been recorded as a current asset and liability.

Non-UK exchange forward contracts derivatives

The Group has entered into a number of non-UK exchange forward contracts to cover the non-UK exchange risk associated with merchandise purchases in US Dollar and fix Sterling price points and Euro price points using low risk treasury instruments.

At the Balance Sheet date foreign exchange contracts were entered into to cover circa 67% of the UK and Continental Europe inventory purchases for the Spring/Summer 2021 and Autumn/Winter 2021 seasons with a target range of between 70% and 80%. The average hedge rate of GBP/US Dollar is \$1.3734 and average rate hedged of Euro/US Dollar is \$1.2152.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2021

20. Derivative assets and liabilities (continued)

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

	2021	2020
Average exchange rate		
Cash flow hedges: sell GBP buy US Dollar	1.3734	1.3030
Cash flow hedges: sell EUR buy US Dollar	1.2152	1.1266
Nominal amounts	\$m	\$m
Cash flow hedges: sell GBP buy US Dollar		
Less than a year	33.0	39.0
More than a year but less than two years	-	-
Cash flow hedges: sell EUR buy US Dollar		
Less than a year	20.0	4.0
More than a year but less than two years	-	-

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 in both years are equal to their carrying values, with the exception of derivatives which are considered to be at Level 2 and are disclosed separately below. The fair value hierarchy has been defined in note 20.

	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 instruments	-	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
- Non-current	66.6	-	66.6
Trade and other payables excluding non-financial liabilities	133.0	-	133.0
	505.3	-	505.3

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2021

21. Financial instruments (continued)

	31 March 2020		
	Receivables at amortised cost	Fair value through other comprehensive income	Total
	£m	£m	£m
Assets as per Balance Sheet			
Trade and other receivables excluding prepayments and accrued income	64.7	-	64.7
Derivative financial instruments	-	1.5	1.5
Cash and cash equivalents	117.2	-	117.2
	181.9	1.5	183.4
Liabilities as per Balance Sheet			
Bank debt (excluding unamortised fees)	94.8	-	94.8
Lease liabilities - Current	21.8	-	21.8
- Non-current	66.6	-	66.6
Preference shares	312.9	-	312.9
Trade and other payables excluding non-financial liabilities	42.7	-	42.7
	538.8	-	538.8

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 currency risk, fair value interest rate risk and cash flows interest rate risk). The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the Group's financial performance. 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 co-operation 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2021

21. Financial instruments (continued)

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

	At 31 March 2021					Total £m
	Up to 3 months	Between 3 & 12 months	Between 1 & 5 years	More than 5 years		
	£m	£m	£m	£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

	At 31 March 2020					Total £m
	Up to 3 months	Between 3 & 12 months	Between 1 & 5 years	More than 5 years		
	£m	£m	£m	£m		
Bank loans - Principal	-	-	74.8	-		74.8
- Interest	-	4.6	4.7	-		9.3
Total bank loans	-	4.6	79.5	-		84.1
RCF loan	-	10.7	-	-		10.7
Bank overdraft	9.3	-	-	-		9.3
Redeemable preference shares	-	-	-	312.9		312.9
Lease liability	5.5	16.3	48.8	17.8		88.4
Trade and other payables excluding non-financial liabilities	42.7	-	-	-		42.7
	57.5	31.6	128.3	330.7		548.1

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 a minimum rating of "A" 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 and the Euro. 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2021

21. Financial instruments (continued)

The Group purchases the vast majority of its inventory from factories in Asia which are paid in US Dollars. Approximately 80% to 85% of revenue 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.

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from GBP and non-GBP borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2021 and 2020, the Group's borrowings were denominated in Sterling, Euros, Hong Kong Dollars and Japanese Yen. Following the refinancing on 29 January 2021, the Group borrowings were denominated in Euros.

At 31 March 2021 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 £0.6m (FY20: £0.2m).

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.

Non-UK currency risk

The Group has analysed the impact of a movement in exchange rate of the major non-GBP currencies on its pre-tax profits (all other exchange rates remaining unchanged) as follows:

10% Appreciation Currency	2021 £m	2020 £m
US Dollar	1.5	(0.5)
Euro	12.6	8.5
Yen	3.1	3.0

Note the US Dollar movement is lower as the Group earns US Dollars from its US business and purchases all inventory (UK factory apart) in US Dollar which nearly offset against each other. In addition to the above, a 10% appreciation on the Euro rate would impact annualised bank loan interest by £0.9m under the terms of the new loan agreement.

22. Deferred taxation

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

	2021 £m	2020 £m
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	7.2	7.4
The gross movement on the deferred income tax is as follows:	2021 £m	2020 £m
Deferred tax asset to be recovered after more than 12 months	(0.2)	1.4

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2021

22. Deferred taxation (continued)

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

- 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; and
- trade losses expected to be utilised in future periods, some of which were not recognised in previous periods.

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

Deferred tax assets	Accelerated capital allowances	Temporary differences	Tax losses	Total
	£m	£m	£m	£m
At 1 April 2019	(0.1)	5.9	0.2	6.0
Statement of Profit or Loss (charge)/credit	(0.1)	1.5	-	1.4
At 31 March 2020	(0.2)	7.4	0.2	7.4
Statement of Profit or Loss (charge)/credit	(0.4)	0.2	-	(0.2)
At 31 March 2021	(0.6)	7.6	0.2	7.2

Deferred taxation not provided in the financial statements:

	2021	2020
	£m	£m
Tax losses	7.3	7.2
Accelerated capital allowances	-	0.1
	7.3	7.3

The deferred tax asset has been remeasured, and the 31 March 2021 year-end balance calculated using the rate at which the relevant asset is expected to reverse.

23. Share capital

During the year, 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:

	2021	2021	2020	2020
	No.	£	No.	£
Authorised, called up and fully paid				
Ordinary shares of £0.01 each	1,000,000,100	10,000,001	-	-
A ordinary shares of £0.001 each	-	-	1,500,000	1,500
B ordinary shares of £0.001 each	-	-	8,500,001	8,500
C ordinary shares of £1,500 each	-	-	3	4,500
	1,000,000,100	10,000,001	10,000,004	14,500

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2021

23. Share capital (continued)

The movements in the ordinary share capital during the year ended 31 March 2021 were as follows:

	Shares No.	Share capital £m
As at 31 March 2020	10,000,004	-
Issued on incorporation of Dr. Martens plc	1	-
Further shares issued	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	-	(1,390.0)
Sub-division of shares (1 for 100 split)	990,000,099	-
As at 31 March 2021	1,000,000,100	10.0

The movements in the preference share capital during the year ended 31 March 2021 were as follows:

Preference shares	A shares of £0.00001 each (FY20: £0.0001 each)	B shares of £0.00001 each (FY20: £0.0001 each)	Total No.
	No.	No.	
As at 1 April 2019	42,208,205	143,779,938	185,988,143
Redemptions	(4,581,939)	(15,608,123)	(20,190,062)
As at 31 March 2020	37,626,266	128,171,815	165,798,081
Redemptions	(37,626,266)	(128,171,815)	(165,798,081)
As at 31 March 2021	-	-	-

Preference shares	A shares of £0.00001 each (FY20: £0.0001 each)	B shares of £0.00001 each (FY20: £0.0001 each)	Total £m
	£m	£m	
As at 1 April 2019	57.2	259.2	316.4
Redemptions	(6.3)	(28.7)	(35.0)
Coupon accrued	3.1	28.4	31.5
As at 31 March 2020	54.0	258.9	312.9
Redemptions	(56.7)	(284.7)	(341.4)
Coupon accrued	2.7	25.8	28.5
As at 31 March 2021	-	-	-

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2021

23. Share capital (continued)

Transactions in the year

On incorporation on 19 October 2020, Dr. Martens plc (the "Company") issued one ordinary share with a nominal value of £1 each for a cash consideration of £1.00 to Ingrelux S.a.r.l.

On 14 December 2020, the Company issued a further 139 ordinary shares of £1 each for a total cash consideration of £139 to Ingrelux S.a.r.l. On the same day the entire issued share capital of 140 ordinary shares of £1 each was consolidated into one ordinary share of £140 and that one ordinary share was converted into one B ordinary share of £140.

On 14 December 2020 following the reorganisation of the incorporation share, the Company acquired 100% of the beneficial title to ordinary shares and preference shares of Doc Topco Limited for a total fair value of £1,737m by way of a share for share exchange by issuing the following shares to the shareholders of Doc Topco Limited:

- 1,500,000 A ordinary shares of £140 each, 8,500,000 B ordinary shares of £140 each and three C ordinary shares of £1,500 each for a total fair value of £1,400.0m; and
- 37,626,266 A preference shares of £1.50 each and 128,171,815 B preference shares of £2.19 each for a total fair value of £337.1m.

As the Company issued equity shares to acquire 100% of the shares of Doc Topco Limited (i.e. acquiring both the ordinary and preference shares as part of a single arrangement), the provisions of merger relief set out in Section 612 of the Companies Act 2006 (CA2006) are applied. Where merger relief is applied, the Company is prohibited from recording share premium on the transaction.

The existing one B ordinary share formed part of the consideration received by Ingrelux S.a.r.l. in exchange for its shares in Doc Topco Limited and therefore the existing one B ordinary share was considered fully paid up following the share for share exchange. Legal title to the shares in Doc Topco Limited was transferred to the Company on 23 December 2020.

On 17 December 2020, the entire three C ordinary shares of £1,500.00 each were cancelled and the Company owed a debt to the shareholders for a total of £4,500 for those shares.

On 17 December 2020, the Company reduced the nominal value of both the ordinary shares and preference shares as follows:

- A and B ordinary shares' nominal value was reduced from £140 each to £1 each. This reduced the share capital by £1,390.0m and this is transferred to retained earnings; and
- A and B preference shares' nominal value was reduced from £1.50 each and £2.19 each respectively to £0.00001 each. The reduction resulted in £337.1m to retained earnings and equivalent debit to equity that has been presented within retained earnings.

On 22 January 2021, the Company was re-registered as a public limited company under the Companies Act 2006.

On 28 January 2021, all of the 37,626,266 A preference shares of £0.00001 each and all of the 128,171,815 B preference shares of £0.00001 each were redeemed. All of the 1,500,000 A ordinary shares of £1 each and all of the 8,500,001 B ordinary shares of £1 each were converted into 10,000,001 ordinary shares of £1 each. The entire issued ordinary share capital of 10,000,001 shares of £1 each was sub-divided into 1,000,000,100 ordinary shares of £0.01 each.

On 3 February 2021, the entire issued ordinary share capital of 1,000,000,100 shares was admitted to the premium listing segment of the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange's Main Market for listed securities.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2021

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 an independently managed EBT and shares held by the Company as “treasury shares”. The shares held by the EBT were held in order to satisfy share grants to key management personnel. At 31 March 2021 the Company held 0 ordinary ‘A’ shares (FY20: 120,000) and 0 ordinary ‘C’ shares (FY20: 1).
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 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.

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

	2021	
	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)	-	-

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2021

25. EBT (continued)

Fair value measurement

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

	2021
	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	na

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

26. Share-based payments

Post IPO listing 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 Leadership Team (LT) and the Restricted Scheme Plan (RSP) for LT 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)

Shortly following admission to the London Stock Exchange, conditional awards of share options were granted to the Executive Directors and the other senior managers on 9 February 2021. These awards are capable of vesting over the period from admission 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 fairvalue 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)

Shortly following admission to the London Stock Exchange, service conditional awards of shares under the RSP were granted to certain employees of the Group on 9 February 2021. The awards vest in two tranches, with 50% vesting 18 months following the grant date and 50% vesting after 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.

	2021	2020
	£m	£m
Expense arising from equity-settled share-based payments - LTIP	0.7	-
Total expense arising from share-based payment transactions	0.7	-

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2021

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:

	2021	
	LTIP	
	No.	WAEP
Outstanding at the beginning of the year	-	-
Granted	2,665,803	-
Vested	-	-
Forfeited	-	-
Outstanding at the end of the year	2,665,803	-
Weighted average contractual life remaining (years)	2.9	-

Fair value measurement

The following table lists the inputs to the models used for the three plans for the year ended 31 March 2021:

	2021	
	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	na

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 is a newly-listed entity it does not have sufficient information on historical volatility, 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 of the reporting date. The total employer payroll taxes for the year relating to all the awards was £0.1m.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2021

27. Financial commitments and contingencies

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

	2021 £m	2020 £m
Not later than one year	22.7	21.5
Later than one year and not later than five years	54.3	56.5
Later than five years	20.0	22.5
	97.0	100.5

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 £65.1m (FY20: £70.0m).

Contingent liabilities exist in the form of a duty deferment guarantee to HMRC for a maximum amount of £0.9m (FY20: £0.9m) and rent guarantees to various landlords of £1.7m (FY20: £1.3m).

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:

	2021 £m	2020 £m
At 1 April 2020	88.4	85.3
Additions and remeasurement	20.4	19.6
Interest	3.7	3.9
Payments	(23.8)	(20.4)
Foreign exchange	(3.9)	-
At 31 March 2021	84.8	88.4
Current (<i>note 18</i>)	18.2	21.8
Non-current (<i>note 18</i>)	66.6	66.6

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

	2021 £m	2020 £m
Depreciation expense of right-of-use assets	21.5	17.9
Interest expense on lease liabilities	3.7	3.9
Expenses relating to short-term leases (included in cost of sales)	0.8	1.4
Variable lease payments (included in cost of sales)	0.7	1.8
Total operating expenses recognised in profit	1.5	3.2
Total amount recognised in profit	26.7	25.0

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2021

29. Pensions

Defined contribution scheme

The Group operates a defined contribution pension scheme for its employees. The Group's contributions to this scheme were £5.8m for the year ended 31 March 2021 (FY20: £4.8m) and at 31 March 2021 £0.9m (FY20: £0.4m) remained payable to the pension fund.

Defined benefit scheme

Airwair International Limited 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. Other than the past service cost arising from the recent GMP equalisation judgement, there were no Plan amendments, settlements or curtailments during the period.

The weighted average duration of the defined benefit obligation is approximately 17 years (FY20: 16 years).

Key risks

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

- Investment risk. The Plan holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide 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 will 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. The effect of the judgement regarding the equalisation of GMP benefits for past transfers has been accounted for as a past servicecosts during the period. There were no other plan amendments, curtailments or settlements during the period.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2021

29. Pensions (continued)

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 are determined as follows:

Amounts recognised in the Balance Sheet	2021	2020
	£m	£m
Fair value of assets - defined benefit section	67.8	63.4
- defined contribution section	15.5	9.8
Fair value of plan assets	83.3	73.2
Present value of funded obligations - defined benefit section	(59.0)	(50.7)
- defined contribution section	(15.5)	(9.8)
Present value of funded obligations - total	(74.5)	(60.5)
Surplus of funded plans	8.8	12.7
Impact of asset ceiling	(8.8)	(12.7)
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.

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

	2021	2020
	£m	£m
Net defined benefit asset at beginning of year	-	-
Total defined benefit charge in the Statement of Profit or Loss	-	-
Remeasurements 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 (FY20: £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:

	2021	2020
	£m	£m
(Gains)/losses on defined benefit assets in excess of interest	(5.1)	1.7
Experience gains on defined benefit obligation	-	0.3
Losses/(gains) from changes to demographic assumptions	0.3	(0.8)
Losses/(gains) from changes of financial assumptions	9.0	(4.0)
Change in effect of asset ceiling	(4.2)	2.8
Total remeasurements to be shown in the OCI	-	-

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2021

29. Pensions (continued)

The change in assets over the year was:

	2021	2020
	£m	£m
At 1 April	73.2	75.1
Interest on defined benefit assets	1.4	1.5
Return on defined benefit section assets less interest	5.1	(1.7)
Benefits paid from the defined benefit section	(2.1)	(2.2)
Increase in defined contribution section assets	5.7	0.5
At 31 March	83.3	73.2

The change in the funded obligations over the year was:

	2021	2020
	£m	£m
At 1 April	60.5	65.5
Past service cost	-	-
Interest cost on defined benefit obligation	1.1	1.3
Experience loss on defined benefit obligation	-	0.2
Changes to demographic assumptions	0.3	(0.8)
Changes to financial assumptions	9.0	(4.0)
Benefits paid from the defined benefit section	(2.1)	(2.2)
Increase in defined contribution section assets	5.7	0.5
At 31 March	74.5	60.5

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

	2021	2020
	£m	£m
At 1 April	12.7	9.6
Net interest charge on asset ceiling	0.3	0.2
Changes in the effect of the asset ceiling excluding interest	(4.2)	2.9
At 31 March	8.8	12.7

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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 March 2021

29. Pensions (continued)

	2021 £m	2020 £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	1.1	0.2
Foreign	19.4	10.9
	20.5	11.1
Fixed interest bonds		
Unspecified	7.2	9.6
	7.2	9.6
Index linked gilts		
Domestic	34.6	35.1
Foreign	-	-
	34.6	35.1
Alternatives		
Unspecified	5.8	6.8
	5.8	6.8
Insured annuities		
Domestic	1.5	1.4
	1.5	1.4
Cash and other		
Domestic	2.6	2.7
Foreign	-	0.2
Unspecified	(4.6)	(3.5)
	(2.0)	(0.6)
Defined contribution section assets		
Unspecified	15.5	9.8
	15.5	9.8
Fair value of plan assets	83.3	73.2

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2021

29. Pensions (continued)

A full actuarial valuation was carried out at 30 June 2019. The results of that valuation were updated to 31 March 2021 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:

	2021	2020
Discount rate	2.0%	2.3%
Inflation assumption (RPI)	3.3%	2.5%
Inflation assumption (CPI)	2.5%	1.7%
LPI pension increases subject to 5% cap	3.2%	2.5%
Revaluation in deferment	2.5%	1.7%
	100% (males) and 102% (females) of S3PA	100% (males) and 102%
Post retirement mortality assumption	tables, with allowance for future improvements in line with CMI_2019, 1.00% long-term rate	(females) of S3PA tables, with allowance for future improvements in line with CMI_2018, 1.00% long-term rate
Tax free cash	Members are assumed to take 50% of the maximum tax free cash	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
Retiring in 20 years' time:	Male	22.8
	Female	25.1

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

	Approximate (decrease)/ increase to the defined benefit obligation	
	2021	2020
	£m	£m
Discount rate		
Plus 0.5% (FY20: plus 0.5%)	(4.7)	(3.8)
Minus 0.5%	5.3	4.3
Rate of inflation		
Plus 0.5% (FY20: plus 0.5%)	4.3	3.6
Minus 0.5%	(4.6)	(3.3)
Life expectancy		
Plus 1.0 year (FY20: plus 1.0 year)	2.8	2.6
Minus 1.0 year	(2.7)	(2.5)

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.

Such changes to the asset values would be likely to partially offset the changes in the defined benefit obligation. The net Balance Sheet and Statement of Profit or Loss are not sensitive to the actuarial assumptions used at the current time, due to the effect of the asset ceiling.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2021

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.

Prior to admission to the London Stock Exchange on 29 January 2021, the Group was backed by funds advised by Permira Holdings Limited and its subsidiary entities. Permira Holdings Limited was related to the Company due to common control; IngreLux S.a.r.l (the Group's ultimate controlling parent party) is controlled by Permira V Fund, which is itself controlled by Permira Holdings Limited.

	2021 £'000	2020 £'000
Permira Holdings Limited¹		
Amount incurred	-	51
Amount outstanding at year end	-	28
Alter Domus²		
Amount incurred	6	-
Amount outstanding at year end	6	-
TeamViewer²		
Amount incurred	6	-
Amount outstanding at year end	-	-

¹ Permira Holdings Limited is related to the Group as it is a majority shareholder and has significant influence over the Group. In prior year, Permira Holdings Limited was related to the Group due to common control, IngreLux S.a.r.l. is controlled by Permira V Fund which is itself controlled by Permira Holdings Limited.

² Alter Domus 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.

During the year, as part of the business reorganisation prior to listing, shares were issued to IngreLux S.a.r.l as detailed in note 23. Additionally, all of the C ordinary shares of £1,500 each were cancelled and repaid to the shareholders, including senior management.

During the prior year, the Group traded with W M Griggs 1989 Settlement Trust, of which Mr S W Griggs is a trustee and held an interest in the preference shares. The rent and service charges below were in relation to a property on which the lease expired in February 2019. The costs in the year relate to the part year period to the ending of this lease and there will be no further costs.

	2021 £'000	2020 £'000
Rent and service charges paid to W M Griggs 1989 Settlement Trust	-	4

Key management personnel compensation

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

	2021 £'000	2020 £'000
Salaries and benefits	26,623	6,367
Exceptionals: IFRS 2 (non-cash)	10,786	-
Pensions	201	92
Amounts owed by management	-	1,197

This includes the Directors of all Group companies.

Five-year financial summary (unaudited)

For the year ended 31 March 2021

	FY21	FY20	FY19 ⁵	FY18 ⁵	FY17 ⁵	CAGR%
	£m	£m	£m	£m	£m	%
Revenue:						
Ecommerce	235.4	136.4	72.7	43.6	32.4	49%
Retail	99.7	165.2	126.7	97.1	78.9	5%
DTC	335.1	301.6	199.4	140.7	111.3	25%
Wholesale ⁴	437.9	370.6	255.0	207.9	179.3	20%
	773.0	672.2	454.4	348.6	290.6	22%
Gross margin	470.5	401.5	260.5	186.0	148.7	26%
EBITDA ^{1,2}	224.2	184.5	85.0	50.0	37.5	43%
Operating profit before exceptionals	189.2	154.5	73.2	42.0	32.6	42%
Operating profit	112.5	142.5	68.0	40.2	31.0	29%
<i>Key statistics:</i>						
<i>Pairs sold (m)</i>	12.7	11.1	8.3	6.9	6.0	
<i>No. of stores³</i>	135	122	109	94	71	
<i>DTC mix %</i>	43%	45%	44%	40%	38%	
<i>Gross margin %</i>	60.9%	59.7%	57.3%	53.4%	51.2%	
<i>EBITDA^{1,2} %</i>	29.0%	27.4%	18.7%	14.3%	12.9%	
Revenue by region:						
EMEA	335.6	287.9	195.1	149.6	113.7	24%
Americas	295.8	252.2	161.1	117.4	106.0	23%
APAC	141.6	132.1	98.2	81.6	70.9	15%
	773.0	672.2	454.4	348.6	290.6	22%
<i>Revenue mix:</i>						
<i>EMEA %</i>	44%	43%	43%	43%	40%	
<i>Americas %</i>	38%	37%	35%	34%	36%	
<i>APAC %</i>	18%	20%	22%	23%	24%	

¹ EBITDA - earnings before exchange gains/losses, finance income/expense, income tax, depreciation and amortisation.

² Before exceptional items of £80.5m (FY20: £12.0m).

³ Own stores on streets and malls operated under arm's length leasehold arrangements.

⁴ Wholesale revenue including distributor customers.

⁵ From 1 April 2019, control of distributor revenue in relation to the Australia market was transferred from the EMEA geographic market to the APAC geographic market. The prior years have been restated to reflect comparable information for all periods presented. This has had no net profit impact on the Group.

Two-year financial summary (unaudited)

For the year ended 31 March 2021

	H1			H2			FY		
	FY21 £m	FY20 £m	Growth %	FY21 £m	FY20 £m	Growth %	FY21 £m	FY20 £m	Growth %
Revenue:									
Ecommerce	75.3	38.0	98%	160.1	98.4	63%	235.4	136.4	73%
Retail	34.3	64.5	-47%	65.4	100.7	-35%	99.7	165.2	-40%
DTC	109.6	102.5	7%	225.5	199.1	13%	335.1	301.6	11%
Wholesale ⁴	208.6	166.2	26%	229.3	204.4	12%	437.9	370.6	18%
	318.2	268.7	18%	454.8	403.5	13%	773.0	672.2	15%
Gross margin	186.3	155.2	20%	284.2	246.3	16%	470.5	401.5	17%
EBITDA ^{1,2}	86.3	66.6	30%	137.9	117.9	17%	224.2	184.5	22%
Operating profit before exceptionals	67.8	51.1	33%	125.2	103.4	21%	193.0	154.5	25%
Operating profit	64.8	47.4	37%	47.7	95.1	-50%	112.5	142.5	-21%
<i>Key statistics:</i>									
Pairs sold (m)	5.6	4.8	17%	7.1	6.3	13%	12.7	11.1	14%
No. of stores ³	130	110	18%	135	122	11%	135	122	11%
DTC mix %	34%	38%	-4pts	50%	49%	+1pts	43%	45%	-2pts
Gross margin %	58.5%	57.8%	+0.7pts	62.7%	61.0%	+1.7pts	60.9%	59.7%	+1.2pts
EBITDA ^{1,2} %	27.1%	24.8%	+2.3pts	30.3%	29.2%	+1.1pts	29.0%	27.4%	+1.6pts
Revenue by region:									
EMEA	159.6	123.3	29%	176.0	164.6	7%	335.6	287.9	17%
Americas	102.6	97.0	6%	193.2	155.2	24%	295.8	252.2	17%
APAC	56.0	48.4	16%	85.6	83.7	2%	141.6	132.1	7%
	318.2	268.7	18%	454.8	403.5	13%	773.0	672.2	15%
Revenue mix:									
EMEA %	50%	46%	+4pts	39%	41%	-2pts	44%	43%	+1pt
Americas %	32%	36%	-4pts	42%	38%	+4pts	38%	37%	+1pt
APAC %	18%	18%	-	19%	21%	-2pts	18%	20%	-2pts

¹ EBITDA - earnings before exchange gains/losses, finance income/expense, income tax, depreciation and amortisation.

² Before exceptional items of £3.0m for H1 and £77.5m for H2 (FY20: £12.0m).

³ Own stores on streets and malls operated under arm's length leasehold arrangements.

⁴ Wholesale revenue including distributor customers.

Glossary

For the year ended 31 March 2021

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
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
Operating profit	Profit for the year excluding financing and tax	Operating profit is a key profit measure that showcases the level of profits a company achieves once it deducts all the costs of running its core business operation	Yes	Yes
EBITDA	Profit/(loss) for the year before income tax expense, financing expense, foreign exchange 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 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
EBITDA (post exceptional items)	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
Adjusted profit before tax	Statutory profit before tax adjusted to exclude exceptionals	Adjusted profit before tax is used as a measure to represent the results for the business excluding exceptional items	Yes	Yes

Glossary (continued)

For the year ended 31 March 2021

KPIs including APMs (continued)

Metric	Definition	Rationale	APM	KPI
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
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 high 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		
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 conversion of all dilutive potential ordinary shares into ordinary shares	Used to gauge the quality of EPS if all convertible securities were excluded		
Adjusted EPS	EPS calculated using 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
Normalised Adjusted EPS	EPS calculated using earnings before taking into account exceptional items and preference share interest	Reconciliation of EPS from the Remuneration Committee Report	Yes	Yes
Ecommerce mic %	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 grow this in the Group	No	Yes