studio
RETAIL GROUP

Annual Report and Accounts 2021

Introduction

studio is a market-leading digital value retailer offering its UK customers a broad range of products and a flexible repayment proposition.

Contents

CEO Introduction

"The Covid-19 pandemic showed the resilience and agility of Studio, and we emerge from it a much stronger business."

"The changes over the last few years, to transform Studio into a digital value retailer with integrated financial services, meant we could react quickly to changing market conditions, and deliver record levels of growth in sales, profit and customer numbers. The success of the last year could not have been achieved without the commitment and hard work of all our colleagues and I am proud of how they have strived through the year to deliver for our customers."

"With the strong performance last year, and having sold the Findel Education business, Studio is in a stronger financial position and is now focused on pushing forward with a well-defined purpose that delivers great value, affordable products for our customers. The business has a clear growth strategy, fuelled by its digital capabilities, service enhancements, and ability to utilise data to drive better customer targeting, credit underwriting and product offers. All of this bodes well as we emerge from the pandemic and I am confident Studio can go from strength to strength and benefit all stakeholders."

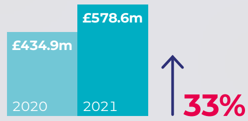
Read more on page 8

Highlights

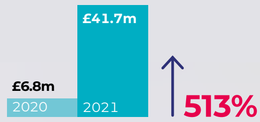
For the latest investor relations, visit our website at:
www.studioretail.group

Financial highlights

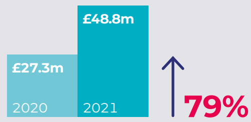
Revenue
£578.6m
2020: £434.9m



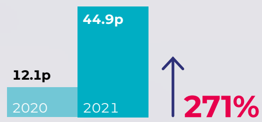
Profit before tax
£41.7m
2020: £6.8m



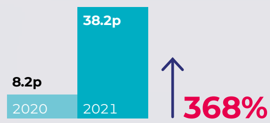
Adjusted profit before tax*
£48.8m
2020 (restated**): £27.3m



Adjusted earnings per share from continuing operations*
44.9p
2020: 12.1p



Earnings per share from continuing operations
38.2p
2020: 8.2p



Core net debt*
£27.6m
2020: £51.8m

* this is an Alternative Performance Measure, for which the reconciliation to the equivalent GAAP measure can be found on pages 27 to 30
** balances have been restated as set out in note 1 to the consolidated financial statements.

Operating highlights

Record active customer base for Studio at March 2021 of 2.5m

Undertook a strategic review of the Group which successfully completed with the sale of Findel Education for £30m in April 2021

Refinanced the Core Bank facility to September 2024 at a lower amount of £50m given the improved financial position of the Group

The start of FY22 has been encouraging, with total revenue for Studio up 3.8% against Q1 of FY21, including product sales for Q1 in line with last year and 51% up against Q1 of FY20, and financial services revenue up 15%

Our vision for the future

Our mission

UK's #1 digital value retailer for families wanting flexible ways to pay

Our customer value proposition for 2021+

Our target customers

Lower income families wanting flexible payment options to access life's necessities and some nice to have's

5.9m / 11m
UK households UK Adults

broadly match our target

Driving fame for WOW value

WOW Value!

Win on **PRICE**
Reassure on **QUALITY**

studio pay

Compelling Communications

Customer at the heart

Brand Personality

Our Core competitors

A breadth of competitors BUT a **strong** and **defensible** offer

Our share of wallet has grown from

12% to 18%
over the last 3 years

Fixing customer pain points

Delivery
More options & reflect value

Returns
Give me options to make returns easy/cheaper

Availability
Have the item I choose in stock & fulfil my order

Customer Service
Helpfully resolve my problems

OUR VALUES

#INCLUSIVE	We are one team
#TRUSTED	We deliver our promises
#AMAZING	We think **BIG.** Digital by default
#SAVVY	We are commercial

Read more on page **45**

A business built on **transformation**

2016 → **2021**

2016	2021
Findel PLC	studio
Express Gifts | Findel Education	We do Wow
Traditional catalogue retailer	**Online Pureplay**
1.4m active customers	2.5m active customers
£149 spend per customer	£180 spend per customer
£225m product revenue	£445m product revenue

Read more on pages **10-21**

Chairman's statement

A transformational year for the Group

"Our overall strategy to grow the Studio customer base and increase our customers' spend with us, supported by our flexible credit offer, is essentially unchanged by the pandemic."

Ian Burke
Chairman

The Covid-19 pandemic has produced both challenges and opportunities for the Group. The multi-year transformation of Studio's business model into a digital-first value retailer means that it is ideally positioned to serve the increasing number of customers who choose to shop online; a trend which was evident before the pandemic, but which has accelerated over the last year. The Group's sales, profit and customer numbers all grew substantially during FY21 and we start the new financial year with a strong trading and financial position. This performance was achieved without reliance on government or external support (a small amount was initially claimed under the Government's Coronavirus Job Retention Scheme along with a short-term payment deferral of employment taxes but these amounts were repaid before the year-end) and we did not make any employees redundant as a result of the Covid-19 pandemic.

This performance would not have been possible without the contribution of all our colleagues across the business. The upgrading of key systems over the last few years allowed the majority of our head-office colleagues to work effectively from home, and we see a hybrid approach to home/office working continuing into the future. Our frontline colleagues in our warehouses were protected through ensuring that our facilities were quickly upgraded with the appropriate social distancing and hygiene measures, by introducing onsite testing facilities as soon as these became available, by protecting colleagues' incomes where they needed to self-isolate, and by rewarding them for their efforts with additional vouchers and cash bonuses during the year. On behalf of the Board, I would like to thank all our colleagues for their hard work, which has ensured that we have been able to serve our customers throughout the year despite lockdown disruptions.

Financial performance

A record number of more than 2.5m customers shopped with Studio in FY21, an increase of 35% in the year. Within that, the number of customers with a credit account, who typically exhibit far greater shopping loyalty, increased by 14% to just over 1.5m. Total revenue from Studio increased by 33% to £578.6m (FY20: £434.9m), which led to adjusted profit before tax* increasing by 79% to £48.8m (FY20: £27.3m). The statutory profit before tax from continuing operations was £41.7m (FY20: £6.8m). Adjusted EPS increased by 271% to 44.9p (FY20: 12.1p).

Strategic Review

In December 2020, following the abandonment of the proposed sale of Education to YPO, the Board of Directors announced a review of all strategic options available to it to maximise value for all its shareholders (the "Strategic Review"). Having reviewed a number of options, including the disposal of a division and seeking offers for the Group as a whole pursuant to a formal sale process, the Strategic Review concluded in April 2021 with the sale of Findel Education to a newly-formed company owned by funds managed by Endless LLP for a gross consideration of £30m. That transaction completed after the year end on 16 April 2021 and we wish the team at Findel Education well for the future.

Balance sheet and dividends

Core net debt* ended the year at £27.6m (March 2020: £51.8m), a position which improved in April 2021 following the receipt of the proceeds from the sale of Findel Education and additional drawings from an increase to the securitisation facility.

We have recently completed a refinancing of the Group's £50m core bank facility with a new maturity date of September 2024, which provides a solid medium-term liquidity platform for further growth.

The Group is working with the trustees of the legacy defined benefit pension scheme to explore ways of removing any residual pension liabilities, for example by potentially acquiring insurance cover for some or all of its sections.

The Board will continue to prioritise investment in improving Studio's digital capabilities and in further strengthening its financial position in light of the broader economic environment. Although it does not have plans to reinstate dividend payments at this stage, the strong trading performance of Studio during FY21 enabled intra-group dividends to be made that brought the financial position of the parent company into accumulated profits of £9.9m (FY20: accumulated losses of £73.3m).

The Company intends to buy back the former convertible shares issued in 2011, which have now automatically become deferred shares following the expiration of the conversion period, for a nominal sum later in the year.

Chairman's statement continued

Management and Board

Paul Kendrick, who has been Managing Director of Studio since April 2017, was appointed as Group CEO upon the retirement of Phil Maudsley on 26 March 2021 as the culmination of a planned succession process. Francois Coumau will retire from the Board at the end of the AGM in September having completed seven years, the last two of which as Chairman of the Remuneration Committee. Elaine O'Donnell has also indicated that she does not intend to stand for re-election at the AGM. I would like to thank Francois and Elaine for their contributions and to Phil for his long service to the Group.

Current trading and outlook

The first quarter of the new financial year has seen Studio's product sales in line with the same period at the start of the pandemic last year, which in turn represents an increase of 51% on the first quarter of FY20. Margin rates are c.340bp higher than last year due to the non-recurrence of Studio's significant discounting of clothing and footwear ranges seen at this point last year. We expect that there will be a resumption of more competitive market conditions later in the year, alongside inflationary impacts on some raw material and shipping costs.

Financial services revenue is up 15% in Q1, although this is expected to moderate later in the year.

Studio is implementing changes to some elements of its financial services products this year to improve outcomes for customers. At this early stage of the new financial year, we anticipate that Group adjusted profit before tax for the 52 weeks to 25 March 2022 will be in the range of £42m-45m.

While the emergence of potential new variants of the virus and the prospect of higher transmission levels as the UK continues to unlock mean the external environment remains uncertain in the near term, our digital value retail model remains robust, and the changes we have made to our business enable us to continue providing our services to our customers with minimal disruption.

We have set out strategic plans to grow the Studio business towards achieving revenue of £1bn in the medium-term. The encouraging start of our current financial year against last year's challenging comparator gives us confidence in those plans.

Ian Burke
Chairman
29 June 2021

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CEO Q&A

"I'm incredibly proud to have been appointed to lead the Group as your CEO. I'm also grateful for the response of our colleagues to the challenges of COVID-19, whose agility helped to deliver outstanding growth and results during FY21."

Paul Kendrick
Chief Executive Officer

Q: What is your vision for the Group?

This is a pivotal moment in Studio's journey with the Group now solely focussed upon Studio following the sale of Findel Education, having moved to be a pureplay online retailer, being in a stronger financial position and having addressed many legacy challenges. It is now an opportunity to reset our vision for Studio as we enter the next phase of our transformational journey. My vision is for Studio to become the UK's leading digital value retailer, and for the business to broadly double in size from where it is today and achieve total revenue of £1bn in the next few years. Whilst that might sound ambitious, we can see our three routes to growth, and we know the actions required to get us there.

Having assessed the market, there are well over 10m people in the UK who fall within our target customer profile of families looking for great value products, but we've only got around a quarter of them currently shopping with us. We need to keep increasing Studio brand's profile, which we're continuing to invest in, particularly with partnerships with ITV shows such as "In For A Penny" that our customers love. Getting across our value message will continue to attract new customers to Studio.

We also know that our proportion of customers' annual spend is around half that of other large online retailers. Increasing the popularity of our clothing and electricals ranges will play a key role in boosting that spend per customer. The Studio App, which has been downloaded by more than a million people, makes browsing our ranges easier and encourages customers to "shop the look". Upping our game on service and using data expertise to target customers with personalised offers will further add to customer retention and spend.

Finally, we know that some customers love the great value products that we offer, but don't have the same need for the credit facilities that we currently offer. Our research tells us that customers with a credit account come back to the website or app over three times more frequently than a pure cash customer. So if we can adapt our credit products to also attract a slightly more affluent customer, that in turn will increase the overall product revenue.

Growing the business alone though is not enough for me – it's how we do business, and treat our customers that is equally important. There is a strong social story behind Studio which can create a strong purpose for the business and shape an exciting and engaging culture that colleagues want to be a part of.

Q: Can you repeat the success of last year in FY22?

In many ways, yes we can. The credit customers that we recruited over the last year have shown all the same qualities as the ones who joined us in previous years, both in terms of quality and frequency of shopping. There's every reason to believe that these customers will carry on shopping with us in FY22.

And the transition from shopping on the high street to shopping online was there before the pandemic – it has just accelerated the trend. However, realistically we're not going to see the same level of new cash customers shopping with Studio as they did at the height of the first lockdown, because of the high street reopening.

There's also likely to be more pressure on costs and margins this year than we saw at times last year. When the high street was shut, there was less promotional activity in the market than in normal times, which we expect to return this year. There are also well-publicised cost increases globally for some raw materials such as cotton, and far higher shipping costs to absorb.

Q: So does this dent your confidence in being able to grow revenue to £1bn?

Certainly not. We expect our total product revenue to be broadly flat in FY22, but that still represents an annual growth rate of 20% over 2 years compared to FY20. Alongside this, we are investing this year in creating new capabilities in Studio, improving service, enhancing data and customer targeting which allows us to go for growth in future years. If we can continue at these growth rates over the next few years, and utilise these capabilities then £1bn is eminently achievable.

Q: Does the path towards £1bn of revenue require significant new investment?

We've made a number of key system investments over the last four years, such as the Financier account management system, Salesforce Marketing Cloud that handles our customer profiling, and more recently we've introduced new credit decisioning tools that allow us to tailor the application journey to improve acceptance levels for both high and lower-risk customers by reducing attrition during the process.

Data is a key asset for Studio that gives us an advantage over the high street. And because of the flexible credit offer, we also have more data than pure online retailers. This allows us to be more efficient with our marketing and product presentation to our customers – a virtuous circle. This is an area that we will continue to focus our investment on in the next few years.

We are also constantly reviewing our warehouse infrastructure to ensure that it can handle the additional volumes we anticipate, but at this stage we think we can manage our total capital expenditure budget to within £15-20m per year – broadly in line with historical levels.

Q: How important is the Group's ESG approach to your overall strategy?

We have been a regulated lender for many years, which means that we have always taken our responsibility to our customers seriously. We're also proud of our position as the leading employer in our local area, Accrington in Lancashire. We have therefore stepped up the level of community activity over the last few years, including sponsoring the family stand at Accrington Stanley FC.

Over the next few months we will be setting out our priorities and targets for ESG, which we are calling "our SRG approach" – Sustainable, Responsible and Good. Being a value retailer does not mean value at any cost and we will balance our profits with protecting the planet whilst doing right by our customers, colleagues and wider stakeholders.

In particular we will put emphasis on the areas we can make the most positive difference – helping customers, colleagues and the communities we support to thrive.

Studio

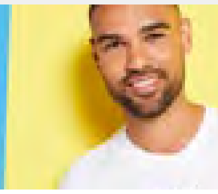
A year of transition and further operational progress for the Group

Studio is a digital value retailer with a broad product offer of clothing and footwear alongside home and electrical products plus more seasonal ranges, many of which can be personalised for free.

Underpinning all this, is the drive to amaze our customers with value and provide them with a range of payment options, including our flexible credit facility.

Our medium-term ambition is to achieve over £1 billion of revenue, through the following three levers for growth:

VALUE



Attracting more of our core customers who appreciate the affordability of Studio's **VALUE** proposition through building brand awareness and through enhanced use of data analytics for customer targeting and credit decisioning.

Read more on page 14

CHOICE

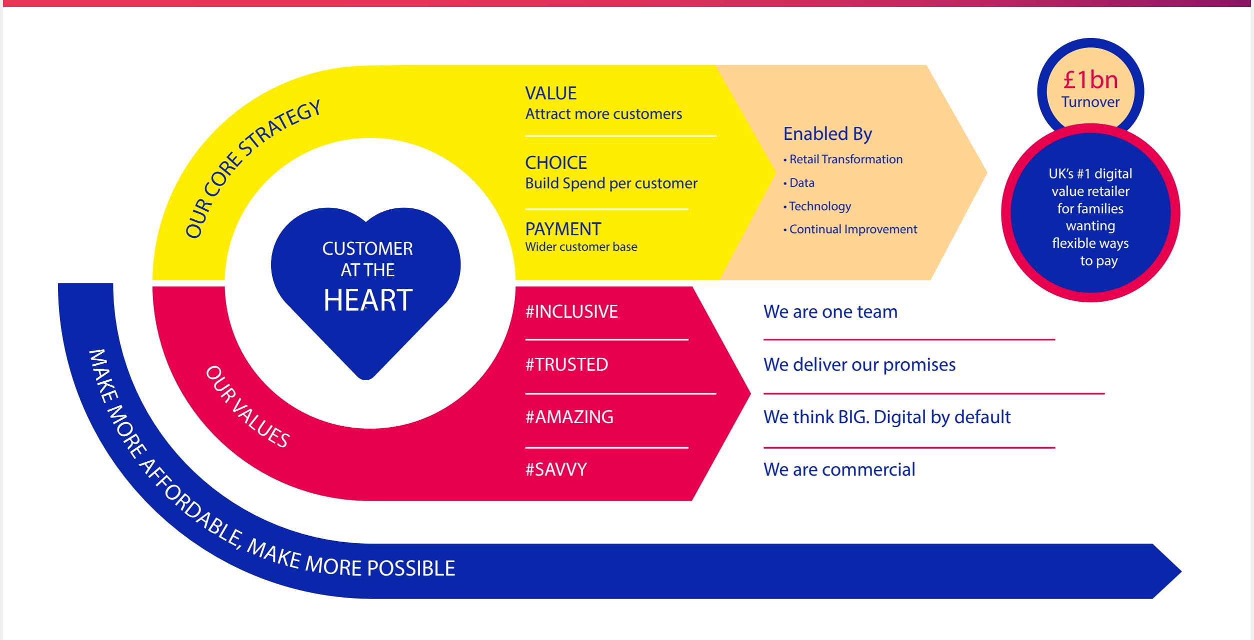
Extending the product range providing greater **CHOICE** for customers alongside a personalised financial service proposition, and digital CRM programmes to build spend per customer.

Read more on page 16

PAYMENT

Broadening the appeal of Studio to a wider customer base who are still seeking great value and flexible **PAYMENT OPTIONS**.

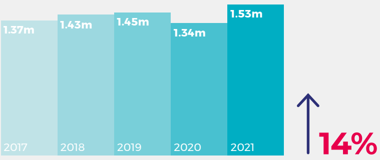
Read more on page 18



Credit customers

1.53m

2020 1.34m



How is it measured?

Number of customers who have incurred an interest charge at least once in the last financial year

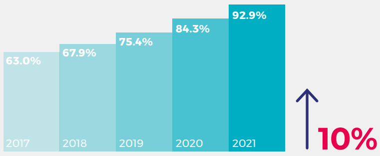
Why is it used?

To show the base from which financial services income can be made

Ordering online

92.9%

2020 84.3%



How is it measured?

Proportion of the year's product sales placed using an online route - **Financial Year**

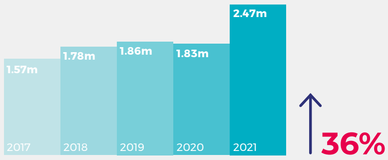
Why is it used?

To show the changing nature of customer ordering patterns

Customer base

2.47m

2020 1.82m



How is it measured?

Active customer accounts at the end of each calendar year

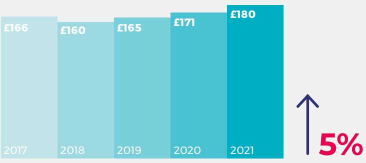
Why is it used?

To show the base from which future sales can be made

Spend per customer

£180

2020 £171



How is it measured?

Total product sales divided by active customers

Why is it used?

To illustrate the level of future sales that can be made from the customer base

Summary income statement

	2021 £'000	2020 £'000	Change
Product revenue	445,361	311,697	42.9%
Other financial services revenue	16,922	18,617	-9.1%
Credit account interest	116,303	104,542	11.3%
Financial services revenue	133,225	123,159	8.2%
Sourcing revenue	15	38	-60.5%
Reportable segment revenue	578,601	434,894	33.0%
Product cost of sales	(285,556)	(208,924)	-36.7%
Financial services cost of sales	(45,689)	(37,605)	-21.5%
Total cost of sales	(331,245)	(246,529)	-34.4%
Gross profit	**247,356**	**188,365**	**31.3%**
Marketing costs	(34,457)	(31,661)	-8.8%
Distribution costs	(49,397)	(37,372)	-32.2%
Administrative costs	(90,763)	(70,508)	-28.7%
EBITDA	**72,739**	**48,824**	**49.0%**
Depreciation and amortisation	(10,995)	(9,773)	-12.5%
Adjusted operating profit*	**61,744**	**39,051**	**58.1%**
Estimated impact of COVID-19 on 2020 impairment charge	–	(20,000)	
Change in impairment accounting estimate in 2020	–	3,675	
Individually significant items	–	(5,648)	
Operating profit	**61,744**	**17,078**	**261.5%**
Product margin %	35.9%	33.0%	+290bp
Bad debt charge as % of revenue	7.9%	8.6%	-70bp
Adjusted operating profit %	10.7%	9.0%	+170bp

* This is an Alternative Performance Measure, for which the reconciliation to the equivalent GAAP measure can be found on pages 27 to 30.

Studio continued

Our purpose at Studio shapes our culture, policies and processes…

…and given it is socially driven, it naturally forms the basis of our wider ESG agenda, which at Studio is our newly created "Sustainable, Responsible, and Good" plan. We strive to make more affordable, make more possible for our customers and we will do that in the most sustainable and responsible way whilst maintaining our value proposition and operating our unique business model.

Our purpose and culture

We will balance our profits with protecting our planet whilst doing right by our customers, colleagues and wider stakeholders. We are putting our focus and emphasis on the areas where we can make the most positive difference, which is about helping people to thrive.

Following an extensive assessment, reviewing over 500 potential areas, engaging with colleagues, customers and shareholders, we aligned on 19 key material issues to tackle as a priority in the years ahead. These issues are represented by a five-pillar plan which is set out later in this Annual Report.

Our business model

Over the last few years, Studio has completed the first phase of its digital transformation, moving Studio from a traditional catalogue retailer to an online pureplay. The transformation now continues to become truly digital, utilising data and technology in all aspects of the business to improve customer experience and engagement.

Customer shopping patterns have been gradually shifting away from the high street and towards online digital retailers for some time. The Covid pandemic has accelerated this pre-existing trend and Studio has seen a very rapid level of sales growth over the last year as customers browse online, including using our new app, to find products that help make family life that bit easier. New customers have found the combination of a broad, value product range and integrated financial services creates a point of difference to other retailers. The business has no physical stores to service and virtually all orders received online (a small minority still being phone and postal orders).

We believe that Studio has a valuable and arguably unique position in the market being digital, value and with integrated credit. Many successful value retailers struggle with the move to trading online as the economics of the business model do not generally work on low price point, low margin ranges. At Studio we achieve this by having the additional income stream from financial services, but also from how the credit account drives customer loyalty.

The increased number of customer touchpoints with our credit account customers drives order frequency and spend over time. Our focus on lifetime value means we can invest upfront in customer acquisition and then, through high levels of retention, drive longer term returns. When we then compare to others who have an integrated credit proposition, they do not generally market themselves as having unbeatable value, or are not pureplay in the way Studio now is. New entrants to the retail credit market have emerged in recent years. However, the key difference with our model is that Studio owns the data on both retail and financial services, allowing us to make better informed credit underwriting decisions.

Studio continued

Our routes to growth...

1. VALUE

Attract more customers

The VALUE growth pillar is all about increasing our current core customer base which are attracted to Studio through the unbeatable value we offer. Market studies suggest our current base of 2.5m active customers has a penetration of less than a quarter of our target market, so there is plenty of scope to grow.

Our own research tells us that one of the main reasons that customers don't choose Studio today is a lack of awareness of the brand. In today's digital world, Studio's adverts appear alongside other brands and awareness becomes important to build trust and confidence with customers. We have been building awareness over the last two years through increased TV advertising and developing partnerships with popular ITV programmes such as "I'm a Celebrity, Get Me Out of Here", "This Morning" and "In For a Penny". We have also extended our focus on having our products displayed in press features displaying our value credentials.

We can then harvest the interest generated by using data-driven customer acquisition, with better targeting driving marketing efficiencies. Once a customer comes to us, we then promote the benefits of the credit proposition.

With more customers aware of Studio, attracted to our value product offer and with the ability to responsibly accept more applicants, we will drive up the number of new credit customers who shop with Studio each year.

WOW

Find out more at:
www.studioretail.group


Spread the Love

Studio continued

Our routes to growth...

2. CHOICE

Build spend per customer

Our second route to growth is around driving up our share of the customer's wallet and the annual spend per customer through broader product **CHOICE**. This growth route is likely to be the most significant over the short to medium term, as we have identified that our customers' current average spend benchmarks at around half that of other large integrated online retailers. Studio's current annual spend per customer is around £180 based upon the overall base of 2.5m customers. However, we know that the spend from our credit customers is higher than that at approximately £250 due to the greater frequency of shopping from that cohort.

Much of Studio's new customer recruitment is driven by our own-brand, great value products, such as our personalised nightwear and wooden toy ranges. An opportunity exists to broaden sales in future through a gradual widening and depth of product ranges . In particular, we see a significant opportunity in clothing and footwear, which makes up only around a quarter of our total sales today, as this category tends to see greater order frequency.

Our research suggests that we have also historically underperformed against our peers in higher-value ranges like electricals, furniture and garden. Some progress has been made in these ranges through the pandemic, but an opportunity still exists which we expect will feed through to push up order values over time. Our ambition through greater frequency, and greater order value, is to increase spend per customer by around 20-25% over time. We believe this to be a credible ambition as, even at this level, it is still lower than competitor benchmarks.

This range extension, much of which can be sent direct to customer by the supplier so that we do not stock the product, is supported again by the use of data-driven marketing, predominately through digital activity, to engage customers and offer tailored financial services offers to further add to retention and spend.

Studio continued

Our routes to growth…

3. PAYMENT

The third route to growth, by expanding our range of flexible **PAYMENT OPTIONS**, is likely to be less visible in the short term, but may create a strong longer-term opportunity. Our research indicates that some customers or potential customers with better credit profiles are attracted by Studio's great value products. However, they do not need the current credit proposition that we offer, which in turn leads to a lower frequency of product shopping because they do not see the increased level of customer touchpoints such as those generated by monthly account statements.

Recent changes to the technology used by Studio to underwrite and responsibly oversee our credit accounts have allowed Studio to vary the APR at the point of application using a tailored rate-for-risk approach. This reduces the level of drop-out for better-quality customers through the application process, as data allows us to accept that profile of applicant with less friction in the customer journey. It may also increase the proportion of seemingly higher-risk customers that can be responsibly accepted by asking supplementary questions and taking additional steps such as the use of Open Banking to validate they can afford the credit offered.

Recruiting a greater number of customers with a slightly nearer-prime profile onto a relevant financial services product is likely to increase the second income stream from interest, but also increase the frequency of product shopping from this segment of the population.

Find out more at:
www.studioretail.group


PAW PATROL
Here to Help!

Studio continued

Digital Transformation

Studio has made progress over the last few years in gradually replacing its legacy mainframe systems and IT architecture through the development of a clear IT strategy built around data, application and infrastructure architecture. Notable improvements to the CRM, marketing and financial services underwriting systems have created the flexibility for many of our colleagues to work effectively from home during the pandemic.

The introduction of the Studio App in late 2019 has been a significant contributor to the success of the business during FY21, with over 1 million customers downloading the App. As well as now accounting for over 20% of product sales in FY21, it has introduced a virtually cost-free marketing channel via push notifications which have been enabled by around two-thirds of its users.

There remains much still to do to achieve our ambition of becoming a truly digital business, utilising data and technology in all aspects of the business to improve customer experience and engagement. We have therefore organised our ongoing transformation activity around four workstreams:

- **Retail Transformation -** delivering an upgraded real-time experience for customers to improve retention; equipping colleagues to better serve our customers; and encouraging our direct to customer partners to provide better stock security and a better delivery experience. This programme of activity will address most of our existing customer pain points;
- **Data Strategy -** this programme aims to deliver value-creating insight that will drive the whole business, specifically supporting product ranging decisions to increase choice and enabling us to target our existing and new customers with the right offers more cost-effectively;
- **Continuous improvement -** an ongoing portfolio and programme of continual improvement of our existing systems, delivering a rhythm of incremental gains across the business enabling us to underpin our value proposition;
- **IT Strategy –** our programme to ensure our systems are built on secure, reliable and scalable environments, including the gradual retirement of the legacy mainframe environment.

Spend per Customer

£180

2020 £171

Financial Services Revenue

£133.2m

2020 £123.1m

Adjusted Operating Profit

£61.7m

2020 £17.0 m

Performance and Progress

FY21 represented a step-change in the level of performance for Studio. The growth in its active customer base from 1.8m to 2.5m customers included a number of cash-paying customers who found Studio for the first time during the pandemic when the high-street alternatives were closed. The number of customers within this total who now have a credit account increased by 14% to 1.5m. The average annual spend per customer increased by around 5% to £180, which led to product revenue increasing by 43% over the year to £445.4m (FY20: £311.7m).

The product margin rate increased by 290bp during the year to end at 35.9%. The relative lack of promotional discounting from the high street at points during the year is likely to have contributed to some of this increase. However, the pandemic also led to factors that reduced the overall margin, such as lower sales of "going out" clothing and footwear which are normally higher-margin ranges, and higher sales of electricals such as TVs, laptops and gaming consoles which are normally lower-margin ranges. Management estimate that mix effect to have been around -20bp, meaning that the underlying increase in the margin rate through pricing and better buying practices increased by 310bp.

The increase in the number of credit account customers led to growth in the closing Eligible Receivables* book of 20%. Revenue from financial services during the year grew at 8.2% to £133.2m, due to lower fees being charged to customers who missed payments due to the greater level of forbearance and payment holidays offered to those most affected by the pandemic. Studio also significantly increased the level of new customer recruitment undertaken in the final quarter of the year, including via its "Interest Saver" product that allows customers to repay over either 3 or 6 months without accruing any interest.

Studio estimated that the increase in its bad debt provision required at the end of March 2020 by the sudden deterioration in future economic prospects caused by the start of the pandemic to be around £20m. There are too many competing factors to allow us to identify reliably how much of this increase now remains within the closing provision at March 2021. The book has grown significantly during FY21, there are a higher proportion of new customers within the portfolio at the year-end although the overall quality of new recruits during the year has improved, and the future economic outlook is less pessimistic than a year ago. However, management's analysis of the arrears profile of the portfolio indicates that some customers have benefitted from the temporary regulatory support put in place by the government to protect jobs and incomes. We therefore believe that some of these customers are in a better, lower-provision state than will ultimately be appropriate. Judgement has therefore been applied in determining the year-end provision, which has increased it by approximately £13m from the central level derived from the normal forecasting model. That in turn leads to a bad debt charge for the year of £45.7m, compared to the underlying level of £37.6m in FY20 (or £53.9m including the £20m additional Covid estimate offset by the £3.7m change to model estimate reported in FY20).

The gross profit for Studio therefore increased to £247.4m, up by 31.3% using the underlying measure of bad debt. Marketing costs increased by 8.8% to £34.5m, a much lower rate than the growth in customers and revenue, due to lower tariffs being available on certain channels at various times during FY20. Normal tariffs appear to have returned by the start of FY22. Distribution costs have inherently increased alongside the growth in product revenue. Admin costs have also increased with the Group incurring additional payroll costs, higher variable overheads through increased alongside activity and high costs through the investment in both people and IT systems.

The adjusted operating profit* was therefore £61.7m, an increase of 58.1% on the £39.1m seen in FY20.

* this is an Alternative Performance Measure, for which the reconciliation to the equivalent GAAP measure can be found on pages 27 to 30.

Financial review

"Studio is in a stronger financial position and is now focussed on pushing forward with a well-defined purpose that delivers great value, affordable products for its customers."

Stuart Caldwell
Chief Financial Officer

Adjusted profit before tax*

The Group reported an adjusted profit before tax from continuing operations of £48.8m, as set out in the table below. Full reconciliations between the adjusted profits presented below and their statutory equivalents are shown on pages 27 to 30.

	2021 £000	2020 (Restated**) £000	Change £000
Studio	**61,744**	39,051	22,693
Central	**(3,757)**	(1,235)	(2,522)
Adjusted operating profit*	**57,987**	37,816	20,171
Net finance costs	**(9,175)**	(10,491)	1,316
Adjusted profit before tax*	**48,812**	27,325	21,487
Individually significant costs	**(1,053)**	(6,807)	5,754
Estimated impact of COVID-19 on 2020 impairment charge	**–**	(20,000)	20,000
Change in impairment accounting estimate in 2020	**–**	3,675	(3,675)
Fair value movement on derivative financial instruments	**(6,085)**	2,608	(8,693)
Profit before tax	**41,674**	6,801	34,873

* this is an Alternative Performance Measure, for which the reconciliation to the equivalent GAAP measure can be found on pages 27 to 30.
** balances have been restated as set out in note 1 to the consolidated financial statements.

The key elements of this improved performance are discussed earlier in the Strategic Report.

Individually significant items totalling £1.1m (FY20: £6.8m) were incurred, as discussed in more detail below and set out in Note 4. The fair value movement on derivative financial instruments was a charge of £6.1m (FY20: credit of £2.6m). This is presented below the adjusted profit before tax* on the income statement as it relates to the reversal of prior year fair value movements net of the revaluation of hedging contracts that will unwind during FY22.

Individually significant items

The Strategic Review announced in December 2020 included a formal sale process for the Group as a whole, in addition to the successful sale of Education. Professional fees incurred in relation to that former element, totalling £0.8m have been recorded as an individual significant item. Fees relating to the sale of Education are included within discontinued operations.

A further High Court decision relating to the historical treatment of Guaranteed Minimum Pensions was issued during the second half of the year and builds on similar previous decisions on this topic. The impact of the court's findings when applied to Studio's legacy defined benefit pension scheme is an additional charge of £0.8m which has been recorded as an increase to past-service benefits and therefore taken through the income statement. However, due to its nature, and in line with the approach taken in the past, the item has been recorded as an individually significant item.

A review of the ongoing use of the Group's former head office property in Hyde has been undertaken in light of the sale of Education and planned changes to the use of this property as we emerge from the pandemic into more hybrid working. That has led to a reduction in the level of impairment previously recorded against this the right-of-use property asset of £0.5m, which has been recorded within individually significant items to be consistent with the previous impairment treatment.

Financial review continued

Discontinued Operation – Education

Education reported an adjusted operating loss* for the year of £0.4m (FY20 profit restated: £2.4m). An impairment charge of £11.1m was recorded against the carrying value of its intangible assets to align with the value achieved upon the subsequent sale of the business in April 2021. Associated disposal costs totalling £2.5m have also been recorded within discontinued operations.

Pensions

The net valuation on the Group's legacy defined benefit scheme at the end of FY21, measured in accordance with IAS 19, reduced from a surplus of £31.7m at March 2020 to £20.8m at March 2021 due to reductions in the assumed level of future returns.

The IAS 19 valuation has no bearing on the contributions made by the Group to the scheme, which is instead derived from the triennial valuation of the scheme. The most recent valuation measured as at April 2019 concluded during the year leading to a continuation of contributions totalling £5.0m p.a. until September 2023. The lump-sum contribution of £13m and lower contributions noted in the FY20 accounts relating to the proposed sale of Education to YPO did not occur as they were contingent upon completion of that sale, which did not occur.

As part of the subsequent agreement to sell Education to Endless LLP, the Group made an additional contribution of £9m into the scheme in May 2021. This has brought the valuation of the scheme measured by reference to the actuarial targets into surplus. The Company is therefore working with the scheme's trustees to explore options to remove this potentially volatile liability from the balance sheet, including the potential use of insurance.

Taxation

The Group posted a charge of £8.6m in the year in respect of taxation for continuing operations (FY20: credit of £0.2m). The underlying effective tax rate* for the year was 20.6% (FY20 restated: 18.2%).

Earnings per share

The adjusted earnings per share* for the year from continuing operations was 44.9p in FY20 (FY20 restated: 12.1p). The basic earnings per share from continuing operations was 38.2p per share (FY20 restated: 8.2p).

Summary balance sheet	**2021 £000**	2020 (Restated**) £000	Change £000
Intangible fixed assets	**22,761**	41,837	(19,076)
Tangible fixed assets	**58,188**	68,144	(9,956)
Net working capital	**250,189**	222,787	27,402
Net debt*	**(293,006)**	(298,573)	5,567
Net assets of disposal group held for sale	**26,572**	–	26,572
Other net assets	**20,214**	39,801	(19,587)
Net assets	**84,918**	73,996	10,922

* this is an Alternative Performance Measure, for which the reconciliation to the equivalent GAAP measure can be found on pages 27 to 30.

Consolidated net assets amounted to £84.9m at the period end (FY20 restated: £74.0m) as summarised above, reflecting the net profit reported and the actuarial remeasurements in respect of the pension deficit. The net assets are equivalent to 98p per ordinary share (FY20 restated: 86p per ordinary share).

Cash flow and borrowings

After taking account of interest and the net impact of finance leases, the Group's core net debt reduced by £24.3m to £27.3m (FY20: £51.8m), as summarised below.

Total net debt* at the year-end was as follows:

	2021 £000	2020 (Restated**) £000	Change £000
External bank borrowings (excluding securitisation facility)	**65,000**	85,000	(20,000)
Less total cash	**(37,443)**	(33,163)	(4,280)
Core net debt*	**27,557**	51,837	(24,280)
Securitisation drawings	**225,000**	197,591	27,409
Lease liabilities	**40,449**	49,145	(8,696)
Net debt*	**293,006**	298,573	(5,567)

* this is an Alternative Performance Measure, for which the reconciliation to the equivalent GAAP measure can be found on pages 27 to 30.

The Group's revolving credit facility was refinanced in June 2021, with the available level of facilities now scheduled to be £50m until the end of September 2024. The securitisation facility was increased from £200m to £225m during the year, and then subsequently increased further to £250m in April 2021 to cater for the continued growth in Studio's trade receivables. The final maturity date of the securitisation facility is the earlier of 30 December 2028 or the date on which drawings in respect of eligible receivables in place at 30 December 2022 are repaid. Under the current agreement, the Group cannot make additional drawings on the facility after 30 December 2022.

Dividends and capital structure

Dividends totalling £110m were received by the Company from its subsidiaries during the period and its balance sheet as at 26 March 2021 shows a surplus of £9.9m on its retained reserves (FY20: deficiency of £73.3m).

The 166.9m convertible ordinary shares in the Company automatically converted to become non-voting deferred shares on 23 March 2021. The Company is able to repurchase and cancel these shares for a nominal sum, which it plans to do later in FY22.

Our ambition over the next few years is to invest in our digital capabilities in order to increase the level of potentially distributable reserves within the primary operating subsidiary, Studio Retail Limited, to enable it to remit dividends to Studio Retail Group plc. Studio Retail Group plc does not have plans to reinstate dividend payments at this stage. The Directors have determined that no interim dividend will be paid (FY20: £nil) and are not recommending the payment of a final dividend (FY20: £nil).

Financial review continued

Treasury and risk management

The Group's central treasury function seeks to reduce or eliminate exposure to foreign exchange, interest rate and other financial risks, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. It does not engage in speculative transactions and transacts only in relation to underlying business requirements in accordance with approved policies.

Interest rate risk management

The Group's interest rate exposure is managed by the use of derivative arrangements as appropriate, details of which are set out in note 19 to the financial statements. The Group has purchased interest rate caps covering the period to July 2021 to protect against the risk of unforeseen increases to LIBOR rates.

Net interest costs for the year for continuing operations were £9.2m, (FY20: £10.5m), with a reduction being largely caused by the significant increase in the opening pension scheme surplus of £31.7m, together with lower LIBOR and a lower borrowing margin. Finance charges were covered 6.3 times by adjusted operating profit* (FY20 restated: 3.6 times).

Currency risk management

A significant proportion of the products sold by Studio are procured through the Group's Far-East buying operations and beyond. The currency of purchase for these goods is principally the US dollar.

The Group's hedging policy aims to cover anticipated future exposures on a rolling 12-month basis. As at the balance sheet date, the Group had forward contracts with an outstanding principal of $104m (FY20: $91m) and an average rate of £1/$1.33 (FY20: $1.286). The market value and unrealised loss on those contracts as at the balance sheet date, less the reversal of the equivalent valuation as at the end of March 2020, was a charge of £6.1m (FY20: gain of £2.6m). This is presented separately on the Income Statement as it represents an element of product costs to be realised in FY22 as the contracts unwind. The Group currently has forward contracts in place with an outstanding principal of $91.5m covering the 12 months to June 2022.

In addition to this direct exposure, the divisions face a significant level of indirect exposure from supplies made by UK suppliers who in turn source goods from overseas. That risk is normally mitigated through a combination of supplier agreements and fixed term pricing, although from time to time there may be a requirement to increase prices to customers to maintain margins.

Borrowing and counterparty risk

The Group's exposure to borrowing and cash investment risk is managed by dealing only with banks and financial institutions with strong credit ratings.

Stuart Caldwell
Group CFO

Alternative performance measures

The Directors use several Alternative Performance Measures ("APMs") that are considered to provide useful information about the performance and underlying trends facing the Group. As these APMs are not defined by IFRS, they may not be comparable with APMs shown in other companies' accounts. They are not intended to be a replacement for, or be superior to, IFRS measures.

The principal APMs used in this Annual Report are set out below.

Adjusted operating profit and adjusted profit before tax on a like-for-like basis

this measure is used by management to assess the underlying trading performance of the Group from period to period.

In both the current and prior period, the following items have been excluded in arriving at adjusted PBT:

- Individually significant items are, due to their nature or scale, not reflective of the underlying performance of the Group. The Directors believe that presenting these items separately aids year on year comparability of performance.
- The Group's foreign exchange hedging policy means that there will be unrealised fair value gains or losses at the period end relating to contracts intended for future periods. Those fair value movements are therefore excluded from the underlying performance of the Group until realised.

In the prior period, owing to the impact of Covid-19, the ongoing disposal process in respect of the sale of Education to YPO and the adoption of IFRS 16 Leases ("IFRS 16"), further items were adjusted for to ensure the figures were presented on a consistent basis:

1. The £20m estimated impact of Covid-19 on the impairment charge in Studio was excluded in reaching like-for-like adjusted operating profit and profit before tax to enable comparability with the results of the prior periods and to allow a fair (although estimated) assessment of the business' underlying trading performance excluding Covid-19.
2. During the prior period, the Group refined its impairment models to make use of more up to date customer data that was more reflective of current credit policies and operational processes. The availability of this more granular and up to date information enabled management to refine its estimate in respect of the level of impairment provision required and resulted in reduction in the level of provision required by £3.8m. Since this change was not reflective of the underlying performance of the receivables portfolio, it was excluded when arriving at like-for-like adjusted operating profit and profit before tax to enable to allow a fair and balanced assessment of the business' underlying trading performance in FY20.
3. IFRS 16 was adopted for the first time in FY20 using the modified retrospective adoption approach. In effect, this meant that the FY20 income statement was presented on an IFRS 16 basis, whilst the FY19 comparative was stated based on the requirements of IAS 17 Leases ("IAS 17"). In order to allow for a like-for-like comparison, and to present results on a consistent basis with that used to formulate market consensus, the impact of IFRS 16 was excluded in reaching like-for-like adjusted operating profit and profit before tax.
4. IFRS 5 Non-current Assets Held for Sale and Discontinued Operations ("IFRS 5"). Since the Group was engaged in an active sale process from September 2019 onwards, Education met the criteria to classified as held for sale and as a result, its FY20 results were presented separately in a single, post-tax "result from discontinued operation" line in the income statement. In addition, the amortisation of intangible assets relating to Education, which arise upon consolidation, and were previously disclosed within Central costs, were included within the result from discontinued operation. IFRS 5 also required that no depreciation or amortisation be recorded against Education once it was classified as held for sale. As such, depreciation and amortisation charged in H2 of FY20 was reversed. In order to make the presentation of results fair, balanced and understandable, and since Education was run as an active part of the Group throughout FY20, all IFRS 5 adjustments were reversed when arriving at the like-for-like adjusted operating profit and profit before tax (i.e. its results were presented as they would have been if the disposal process had not taken place).

In order to allow for a fair comparison with the results for FY21, adjustments 1 and 2 will still be made to in arriving at an equivalent adjusted profit before tax measure for FY20.

Since the requirements of IFRS 16 have been applied in both FY21 and FY20, the adjustment set out in 3 is no longer required to aid comparability.

Alternative performance measures continued

Since the Education business met the criteria to be held for sale at 26 March 2021, its results have been presented separately in the consolidated income statement in both the 52-week period ended 26 March 2021 and the 52-week period ended 27 March 2020. Since the business was involved in two disposal processes during FY21 and was sold in April 2021, management have concluded that the results of Education are no longer relevant when assessing the underlying performance of the Group and have therefore focused on the results from continuing operations.

A reconciliation from adjusted profit before tax to profit before tax is shown below:

	2021 £000	2020 £000
Adjusted profit before tax	**48,812**	27,325
Individually significant items	**(1,053)**	(6,807)
MTM on derivatives	**(6,085)**	2,608
Estimated impact of COVID-19 on 2020 impairment charge	**–**	(20,000)
Change in impairment accounting estimate in 2020	**–**	3,675
Profit before tax	**41,674**	6,801

EBITDA before individually significant items and adjusted operating before individually significant items

The calculation EBITDA before individually significant items and adjusted operating before individually significant items is set out in note 3 to the consolidated financial statements.

Studio Product Gross Margin %

This is used as a measure of the gross profit made by Studio on the sale of products only, which shows progress against one of Studio's strategic pillars. It is derived as follows:

	2021 £000	2020 £000
Product revenue	**445,361**	311,697
Less product cost of sales	**(285,556)**	(208,924)
Gross product margin	**159,805**	102,773
Gross product gross margin %	**35.9%**	33.0%

Studio underlying impairment loss as a % of revenue

This is an assessment of the underlying impairment loss incurred in respect of Studio's trade receivables, which enables management to assess the quality and performance of its trade receivables from period to period. The estimated impact of COVID-19 and the change in accounting estimate (detailed above) in the prior period are excluded from the reported impairment loss when calculating this measure, as they are not reflective of the underlying performance of the receivables portfolio.

	2021 £000	2020 £000
Reported impairment loss	**45,689**	53,930
Exclude estimated impact of COVID-19	**–**	(20,000)
Exclude change in accounting estimate	**–**	3,675
Underlying impairment loss	**45,689**	37,605
Studio total revenue	**578,601**	434,894
Studio underlying impairment loss as a % of revenue	**7.9%**	8.6%

Studio marketing costs to sales ratio

This measure allows management to assess the efficiency of our marketing spend as we pursue our stated strategy of increasing the profile of the Studio brand. It is calculated by dividing marketing costs by product revenue.

	2021 £000	2020 £000
Marketing costs	**34,457**	31,661
Product revenue	**445,361**	311,697
Marketing costs to sales ratio	**7.7%**	10.2%

Overall net debt

This measure takes account of total borrowings less cash held by the Group and represents our total indebtedness. Management use this measure for assessing overall gearing.
It is calculated as follows:

	2021 £000	2020 (Restated*) £000
Total bank loans	**290,000**	282,591
Lease liabilities	**40,449**	49,145
Less cash and cash equivalents	**(37,443)**	(33,163)
Overall net debt	**293,006**	298,573
Exclude impact of IFRS 16	**(38,676)**	(47,882)
Overall net debt on a like-for-like basis	**254,330**	250,691

* balances have been restated as set out in note 1 to the financial statements.

Core net debt

This measure excludes lease liabilities and securitisation borrowings from net debt to show borrowings under the revolving credit facility net of cash held by the Group. This is our preferred measure of the indebtedness of the Group and is relevant for covenant purposes.
It is calculated as follows:

	2021 £000	2020 (Restated**) £000
Net Debt	**293,006**	298,573
Lease liabilities	**(40,449)**	(49,145)
Less securitisation borrowings**	**(225,000)**	(197,591)
Core net debt*	**27,557**	51,837

** Disclosed within bank loans.
* balances have been restated as set out in note 1 to the financial statements.

Alternative performance measures continued

Debt funding consumer receivables

The majority of Studio's trade receivables are eligible to be funded in part from the securitisation facility, with the remainder being funded from working capital. This measure indicates the face value of trade receivables (before any impairment provision) capable of being funded from the securitisation facility. It is useful to management as it demonstrates the proportion of net debt that is supported by paying customer receivables. It is calculated as follows:

	2021 £000	2020 £000
Funded from securitisation loans	**225,000**	197,591
Funded from cash and bank	**90,345**	65,864
Eligible receivables	**315,345**	263,455
Securitisation %	**71%**	75%

The drawings under the securitisation facility at the end of March 2021 stood at the prevailing facility limit of £225m. The lenders and the Group mutually agreed a variation to the facility in April 2021 to increase the facility limit to £250m. If that higher limit had been in place at the period end, then an advance rate of 75% totalling £236.5m could theoretically have been drawn.

Adjusted earnings per share

This measure shows the earnings per share given when individually significant items and fair value movements on derivative financial instruments are excluded from the profit after tax figure. Details of how the adjusted earnings per share are calculated can be found in note 10 to the consolidated financial statements.

Underlying effective tax rate

This measure shows the Group's effective tax rate when the tax impact of individually significant items and other non-recurring items are adjusted for. This measure allows management to assess underlying trends in the Group's tax rate. It is calculated as follows:

	2021 £000	2020 (Restated*) £000
Tax (charge)/credit	**(8,604)**	241
Exclude tax impact of individually significant items	**(200)**	(1,293)
Exclude impact of change in corporation tax rate on deferred tax assets & liabilities	**–**	(1,427)
Adjusted tax charge	**(8,804)**	(2,479)
Profit before tax and individually significant items	**42,727**	13,608
Underlying effective tax rate	**20.6%**	18.2%

Non-Financial Information Statement

The statements below reflect our commitment to, and management of, people, communities, the environment, human rights, anti-bribery and anti-corruption in the last 12 months. The information required by Section 414CB of the Companies Act 2006 is set out or cross referenced below:

- Our **business model** is described in the Strategic Report on page 10
- Environmental matters (including the impact of the company's business on the environment) are dealt with in the Sustainability Report on pages 40 to 41
- Matters relating to our colleagues (the company's employees) are also dealt with in the Sustainability Report on pages 36 to 37
- Social matters are dealt with in the Sustainability Report on pages 34 to 35
- Respect for human rights underpins the group's values and culture and is a fundamental aspect of the Ethical Code of Conduct applying to our supply chain, all as described in the Sustainability Report on page 39. Our Modern Slavery Act Statement is also published on the Company's website at https://www.studioretail.group/ir-csr/modern-slavery-act-statement.
- The Company's policy is to conduct all our business in an honest and ethical manner. We take a zero-tolerance approach to **bribery and corruption** and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate and implementing and enforcing effective systems to counter bribery. We will uphold all laws relevant to countering bribery and corruption in all the jurisdictions in which we operate. In addition, we remain bound by the laws of the UK, including the Bribery Act 2010, in respect of our conduct both at home and abroad. Our policy document sets out in more detail our responsibilities (and the responsibilities of those working for us) and provides information and guidance to those working for us on how to recognise and deal with bribery and corruption issues. These obligations also extend to those in our supply base under the Ethical Code of Conduct.

Our sustainability plan

Sustainable.
Responsible.
Good.

"Studio's purpose is to make more affordable and to make more possible, and this shapes our ESG plans. Our newly created Sustainable, Responsible, Good plan strives to ensure we run Studio in the most sustainable and responsible way whilst maintaining our value proposition and operating our unique business model that our customers value.

We will balance our profits with protecting our planet whilst doing right by our customers, colleagues and wider stakeholders. We are putting our focus and emphasis on the areas where we can make the most positive difference – helping people to thrive and being there for them through thick and thin."

Paul Kendrick

CEO

Developing our sustainability strategy

We wanted to better understand our key environmental and societal impacts, and improve our sustainability performance. That meant taking a fresh look at what matters and how we do things.

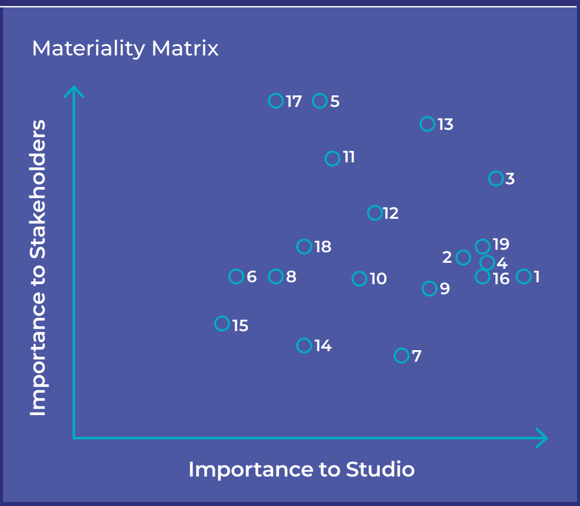
We commissioned a third party agency to conduct a rigorous materiality assessment to identify our critical material issues. Extensive research was carried out to ensure a wide range of topics related to the business and the wider industry were captured and considered.

We then reached out to almost 800 customers and a core group of colleagues and senior leaders to understand which issues were most important to them. This included surveys, focus groups with customers and with employees, and one-to-one interviews with key members of the leadership team.

Using the research findings and stakeholder feedback, we had a clear picture of the issues that matter to the Group and used these to build our new strategy.

Our material issues

1. Mental health and employee wellbeing
2. Training and career development
3. Health and safety
4. Diversity and inclusion
5. Human rights
6. Charitable giving
7. Engaging with customers and colleagues
8. Supporting deprived communities
9. Creating job opportunities
10. Energy and climate change
11. Waste and recycling
12. Sustainable packaging
13. Labour practices
14. Resource use (energy, emissions and raw materials)
15. Product life cycle and circular economy
16. Responsible sourcing
17. Data privacy and security
18. Sustainability governance and management
19. Responsible lending



Our sustainability framework

Our new sustainability framework, the SRG plan, is based on the material issues identified and puts our focus and emphasis on the areas where we can make the most positive difference.

Underpinned by our purpose, our responsibility as one of the region's biggest employers, and our culture and values, we have laid out our commitment to balancing our profits with protecting our planet, and doing right by our customers, colleagues and wider stakeholders.

These commitments are captured in the SRG plan's five pillars and their focus areas:

The numbers reference the relevant material issues from our materiality matrix.

Sustainability governance

Among the reasons for developing and committing to a new sustainability strategy was the need to ensure our focus on sustainability issues was matched by proper executive oversight and Board-level accountability. Each of the SRG plan's five pillars has an executive sponsor from the senior management team.

Progress against the plan has been added as a rolling agenda item for every Board meeting, with performance to be reviewed in more detail twice a year. We are also investing in additional, dedicated resource to support the delivery of the plan and hold management to account.

Our sustainability plan continued

Helping people thrive

We want to support those who have less by helping them to thrive, and do good by fundraising for charitable causes that are close to our customers' and colleagues' hearts.

We want to better understand our customers and their needs, what they can afford, their ability to repay and how we can help, and ensure their voice shapes our strategy and responses.

Making a difference to people's lives by playing a part in Lancashire's regeneration is important to us. We are passionate about creating opportunities for young and disadvantaged adults in deprived communities and helping to keep digital skills in Lancashire.

Progress in FY21

Helping our customers and communities has been a priority throughout the pandemic. We've introduced new ways to communicate with our customers and are doing more than ever to help the region we're proud to call home. We have also selected Homestart as our national charity partner for FY22 and will be developing initiatives to fundraise and support them this year.

Charitable giving
Charity has long been central to what we stand for and during a tough year for charities we've given over £50,000 in cash and product to a range of causes including:

- Mind – We donated £11,000 to Lancashire Mind.
- Local Hospices – We donated £22,000 to two hospices, Derian House Children's Hospice and Dr Kershaw's Hospice.
- NHS – We donated 10% of sales of all Rainbow and Heart products to the NHS Charities Together over a two-week period and donated thousands of towels and pillowcases to NHS hospital trusts across Lancashire.
- North-west Schools – We delivered over 20,000 stationery, home learning and technology resources including laptops to pupils at schools in and around Accrington.

Understanding our customers
We actively engage with over 500 customers on a regular basis, to help us to better understand what our customers want. We have regular check ins on how we are performing, what we can do to better support their needs and to test new marketing and product ideas. During the pandemic, these community threads and polls were increased. The customer insights we gather are widely shared and feed into our strategic decision making.

As part of our customer commitment, we are about to launch Pulse. Pulse is an ongoing programme of customer research that will allow us to better understand what our customers need, and how we can better serve them. Pulse will be in place for H2 and FY22, and will give us a quarterly view of how we're doing, aligned to our overall growth plan, and in the context of our competition in the market.

Charitable giving

- Develop a fundraising strategy to support local and national charities
- Identify and support a national charity partner

Understanding our customers

- Expand our online community and broaden its scope
- Build our feedback mechanisms internally to ensure the customer insights gathered are used strategically across our operations

Creating opportunities

- Partner with local schools and colleges to develop students' digital skills and offer related work experience
- Launch a formal apprenticeship programme targeting the local region and onboard the first cohort of apprentices in FY22

Our targets

Charitable giving	Understanding our customers	Creating opportunities
Increase our charitable giving in FY22	**Launch our Pulse customer relationship survey in FY22**	**Create additional apprenticeship opportunities across Studio's operations in FY22**

Creating opportunities
In 2019 we commissioned a study to investigate the economic impact of the skills drain on Lancashire. The research revealed a potential economic impact of over £14bn annually on the region and found several key economic factors contributing to this skills drain including:

- Skills mismatch due to lack of higher skilled roles
- Commuting to work outside of Lancashire
- Residents' poor perception of the area
- Higher education students leaving the region

To retain local talent and improve opportunities for young people in the region, we are looking to develop an apprenticeships and graduate programme that builds digital skills in Accrington.

Case study

Supporting our community

We donated thousands of towels and pillowcases to local hospital trusts to help frontline NHS staff across Lancashire with their increased hygiene routines, specifically to East Lancs, Southport, Morecambe, Blackpool

We also donated over 20,000 stationery and home learning items to 24 local schools (£5,273)

Our sustainability plan
continued

Putting our colleagues first

Our employees are our business. We think of them like family members.

We are proud of our unique and supportive culture, as captured in the four values we live by: #inclusive, #trusted, #amazing and #savvy.

We keep colleagues healthy and safe, provide support when things get tough, and do whatever we can to help them be successful in everything they do.

We are focused on providing learning and development opportunities for all, and on building a diverse, inclusive and welcoming team.

Progress in FY21

Studio instigated Covid measures in line with government guidelines and direction to become a COVID Secure Workplace. This enabled us to maintain functioning as a business and develop new ways of working including hybrid working methods, whilst protecting our colleagues every step of the way. Ensuring that we remained a caring and supportive employer was a key focus this year. The mental health and wellbeing of our colleagues was a priority, and we provided a wide range of programmes and resources as well increasing our monitoring and reporting.

We have made a strong start in developing a number of other key areas. We are currently reviewing our existing values to ensure they remain fit for purpose. We've also increased investment in learning and development, and are currently building our focus on talent management and career development. Looking ahead, with the focus on the transformational agenda, this year will see centralisation of our Learning & Development and functional Training Teams with the key outcome of creating a consistent approach to high impact, experiential learning interventions across the business, creating the right colleague experience and supporting in driving the required culture change.

Colleague mental health, wellbeing and safety

- Develop a tailored support programme of group and one-on-one events and training sessions around mental health and wellbeing

Our targets

Materially increase the number of trained mental health first aiders during FY22

Case study

Working on our wellbeing

In response to feedback from our 2020 engagement survey, we have invested in improving our approach to wellbeing and mental health. We partnered with AdviserPlus Learning Solutions, who carried out a number of workshops and sessions in 2020 and 2021 to embed better understanding of the importance of promoting good mental health. We also engaged AdviserPlus to train two cohorts of accredited Mental Health First Aiders, a total of 24 colleagues, who will provide additional points of contact for support and drive a positive mental health agenda across the Group. We will continue to build on this programme going forward. In addition, we offered work shops around resilience in a changing work place, this has supported colleagues working through Covid.

Culture and values

- Build a strong culture which is deeply embedded into the way we do things at Studio and where our colleagues can thrive
- Conduct a culture audit to understand our current culture, define our target culture and identify actions to get us there

Invest in a cultural change programme for all colleagues in FY22 to help fully embed our core values across all our operations.

Learning and development

- Grow our internal talent pipeline by identifying and developing future leaders
- Identify learning and development opportunities for every colleague

Increase learning and development budget by over 30% in FY22.

Additionally, invest significantly in culture and leadership training in FY22

Diversity and inclusion

- To be a diverse and inclusive employer with opportunities for everybody
- Gather diversity information across the organisation and use this to develop a formal Diversity & Inclusion strategy with targets across a range of diversity indicators

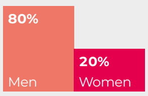
Increase representation at senior management level during FY22 in gender and ethnicity

Case study

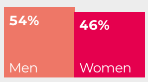
Building an inclusive workforce

Building on our work to report on our gender pay gap, we're recruiting an interim specialist resource to help support our pay/reward and recognition agenda. This will include reviewing our current benchmarking tool to understand whether additional tools, will further help us to make sure we're paying the correct salary level for a role. We've also engaged with DIAL Global, an organisation dedicated to helping businesses create diverse and inclusive cultures, to provide our colleagues with regular workshops, podcasts and virtual summits to raise awareness around the importance of inclusivity.

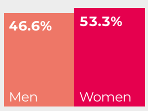
We aim to be a diverse and inclusive employer and women are well represented across all levels of the organisation.



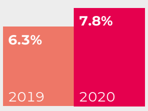
Gender split - Board



Gender split - Senior Management (57 Executive and Senior Leadership combined)



Gender split - Employees



Gender pay gap

Our sustainability plan continued

Sourcing responsibly

Ethical sourcing is an important part of what we do. We want to deliver high quality value products that are sourced and produced responsibly.

We are improving visibility and transparency across our supply chain, focusing on ethical working practices, resource management and environmental impacts.

We won't tolerate unfair labour practices. Our ethical sourcing policy, procedures and supplier code of conduct are based on internationally-recognised standards, setting out our expectation that all workers be treated fairly and with respect.

We are committed to helping our customers be more sustainable by developing eco-friendly product ranges, and reducing environmental impacts across our supply chain.

Progress in FY21

The Group sells approximately 100,000 stock lines across an extensive range of categories, and our suppliers are diverse and range from individual factories to large multinational companies.

We expect all of our business partners to share our principles. Our Code of Conduct and Ethical Sourcing Policy outline our expectations and define our standards for a wide range of areas, from labour conditions and health and safety to environmental practices. In order to ensure our suppliers are aligned with our approach and to reduce our own risk exposure, we are partnering with a third party audit specialist Verisio Ltd and working towards assessing all our suppliers.

01 Strategic report
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Labour practices

- Every supplier to sign our Ethical Code of Conduct to ensure that they respect human rights and adhere to our Ethical Practices
- Zero tolerance for poor labour practices across our supply chain
- Full visibility and understanding of the ethical and environmental performance of our direct supply chain (all factories that supply Studio directly)

Environmental impact

- Reviewing freight options and energy sources to reduce our carbon footprint from transporting our products

Product life cycle and circular economy

- Create a coherent sustainable/ eco-friendly product proposition across our ranges

Our targets

Complete audits to ensure all factories that supply Studio Retail directly comply fully with our Code of Conduct by end of FY24

Conduct unannounced audits against our Code of Conduct of four factories per month

Put in place a three year plan with targets to reduce our carbon footprint on our imported goods

Develop a sustainability tracker to establish current eco-friendly products across our ranges and set future targets and commitments based on our findings by end FY22

Case study

Supplier Audit

Several improvements have been made already arising from the 196 audits carried out between January and the end of March this year (of 767 total suppliers).

Find out more at:
www.studioretail.group

Our sustainability plan continued

Protecting our planet

Climate change is one of the greatest challenges facing us as a society. As such, we recognise the importance of balancing profit and planet.

We are committed to reducing our carbon footprint and the environmental impact of our operations while continuing to meet the needs of all stakeholders.

We are making our packaging more sustainable by eliminating non-recyclable materials and reducing the amount of packaging we use, whilst increasing our use of recycled content.

We are minimising waste across our operations and diverting waste from landfill.

Progress in FY21

We have continued to make progress in reducing our environmental impacts this year, with a number of initiatives in place dedicated to further lowering emissions and waste and to improving our recycling levels. We have also reviewed the Task Force on Climate-related Financial Disclosures and will report on our approach from next year.

Streamlined Energy and Carbon Reporting (SECR)

The Group's Scope 1 emissions from its vehicle fleet in 2020/21 were 43.6 tonnes of CO2 compared to 66 tonnes in 2019/20. This is in line with decreased travel and company car mileage over the COVID-19 restricted period and the reduced size of our fleet.

Our Scope 2 emissions for the continuing operations, calculated under SECR, show a reduction year-on-year asset out in the table below.

Continuing Operations	FY20	FY21
Total gas and electricity energy consumption (KWH)	19,838,897	18,932,593
Emissions from combustion of gas (tCO$_2$e)	1,935	1,822
Emissions from purchased electricity (tCO2e)	1,970	1,907
Total emissions (tCO$_2$e) scope 2	3,904	3,730
Total fuel emissions (tCO$_2$e) scope 1	66	44
Total emissions in the UK (tCO$_2$e)	3,970	3,773
Revenue (£m)	435	579
Warehousing/office (sq. ft)	942	942
Intensity Ratio: gross tCO$_2$e per £m revenue	9.129	6.521
Intensity Ratio: gross tCO$_2$e per 1,000 square foot	4.213	4.004

The intensity ratios for the continuing operations for the year ended 26 March 2021, both show a reduction in CO2 emissions compared to the previous year.

Energy efficiency

The Group's major uses of energy continue to be the heating and lighting of buildings and powered conveyor equipment. Energy efficiency is a material consideration when procuring equipment or services. Our major sites all benefit from centralised control of heating and ventilation systems and are subject to regular monitoring to ensure they are operating as efficiently as possible.

The Group Company Car Policy focuses on lower carbon emission vehicles and will move from applying a CO2 limit of 130g/km for new vehicles to replacing the remaining fleet by hybrid or electric options which will further reduce emissions. The average company car fleet emissions remained low, at 110g/km in FY21 compared to 113g/km in FY20. This was partly due to the further reduction in fleet as well as reduced mileage as COVID-19 restrictions remained in force over the year.

Paper

The tonnage of paper used in Studio's catalogues and brochures has shown a continued reduction from 4,325 tonnes in 2019/20 to 4,100 tonnes in 2020/21, as our digital offerings continue to become the dominant customer preference. All paper used for printing by our divisions is manufactured at mills which have a Programme for the Endorsement of Forest Certification (PEFC) chain of custody certification.

Energy and climate change

- Reduce our carbon footprint and improve energy efficiency across our offices
- Develop sustainable solutions to help our colleagues and customers be more environmentally friendly

Sustainable packaging

- Continue to go above and beyond the minimum amount of recycled content required by law for single use plastic
- Ensure all the timber used in our packaging and products is sustainably sourced

Waste and recycling

- Build on our existing programme of zero waste to landfill to reduce the amount of waste we generate through the introduction of staff sales, recycling and charitable donations
- Better signposting of recyclable content and guidance on how to recycle packaging

Our targets

Complete baseline assessments to determine our net zero target and set interim goals for reducing emissions.

Start to migrate our credit customers to digital statements in FY22

Launch a Cycle2Work scheme in FY22

100%
of all our own brand packaging to be recyclable by FY25

100%
of our own brand paper packaging sourced from sustainable forests by FY25

Re-sell 100% of our customer returned products regardless of the condition (only exception being safety issues)

Recycle the samples used across our ranges in FY22

Case studies

Recycled ranges

Since 2019, all wrapping paper (excluding metallic paper) has been 100% fully recyclable. Steps have also been taken to more clearly inform our customers that cards, envelopes and wrapping paper are fully recyclable, such as displaying the recycle logo.

Reducing waste from returns

As part of our ongoing commitment to sending zero waste to landfill, we are changing the way we handle returned products. In response to stakeholder feedback, we have developed a new way to group products and send them to auction. This will not only reduce the volume of items going to waste, it will reduce waste costs and ensure all products, no matter how small, will be put to use.

Find out more at:
www.studioretail.group

Our sustainability plan continued

Upholding high standards

Creating the right culture and making sure it's embedded across the business will ensure we keep doing the right thing for all stakeholders.

We will monitor and measure our performance across all areas of the business, and governance processes and Board level accountability will hold everything we do to the highest standards.

Supporting and protecting our customers is our main priority. We invest heavily to ensure we have the right tools and technology to keep our customers safe and provide proactive solutions when necessary.

Ensuring we lend responsibly is a critical part of what we do for our customers. The processes and data sets we have in place make sure we only lend what customers can afford.

Progress in FY21

Our investment in developing the SRG plan this year is a result of our commitment to high standards of governance and doing the right thing for all our stakeholders. We have boosted our risk team resources this year and put in place senior management and Board level oversight of performance against our SRG plan going forward.

Case study

Open Banking

In order for us to better understand our customers and enhance our ability to only lend them what they can afford, we launched our new Open Banking service in October. Customers who sign up for the service give us consent for us to access their full bank account information to gain a detailed and accurate picture of their income, outgoings and credit profile etc. Between October 2020 and March 2021, assessments had been completed for 9% of customers and we are now using Open Banking in more than 20% of credit applications.

Find out more at:
www.studioretail.group

Sustainability governance and management

- Maintain a formal governance structure to ensure sustainability has appropriate focus and Board level oversight

Supporting and protecting our customers

- Support our most vulnerable customers
- Protect our customers' data and help to protect them against cyber crime
- Develop and invest in the right tools and technology to keep our customers safe

Responsible lending

- Ensure customers only borrow what they can afford
- Conduct detailed affordability assessments, where there are signs of financial vulnerability
- Support our customers if they hit hard times

Our targets

Sustainability framework and performance to be reviewed at Board level

Enhance our identification of vulnerable customers through internal and external data and customer interactions and ensure we have appropriate strategies to support customers at particular risk

Improving and enhancing our incident management process in FY22, particularly in respect of cyber crime incidents

Ensuring that, on average, our new credit customers have an improved credit score after twelve months of trading with Studio

Reduce late fee revenue as a percentage of total revenue year-on-year

Case study

Customer support through hard times

Throughout this financial year, we've offered payment freezes for all credit customers that told us they had been impacted by COVID-19. In total, we've allowed almost 50,000 customers to put their account on hold for three to six months, with no fees charged.

Find out more at:
www.studioretail.group

Stakeholder Engagement and Gender Diversity

Section 172 Statement

Directors' section 172 statement

Section 172 of the Companies Act 2006 sets out the directors' duty to promote the success of the company for the benefit of shareholders as a whole, having regard to a number of broader matters including the likely consequence of decisions for the long term, the need to act fairly between members of the company, and the company's wider relationships. The approach required is sometimes referred to as 'enlightened shareholder value'. For periods commencing after 1 January 2019, the strategic report must include a statement explaining how the directors have had regard to the matters in section 172 in performing their duties.

Business Model and purpose

Our business model is based on a central holding company with separate operational subsidiary boards and management structures for each of the group's businesses.

At Studio Retail Group plc, we operate with a slim plc executive team with a high degree of delegation to our business management teams and corporate bodies. The plc team covers group finance, tax and treasury; internal audit; legal services for the group; executive oversight; and plc and subsidiary governance matters. The key deliverables of the plc team are capital and resource allocation, leadership and oversight, and shared service provision.

The purpose of the Group's main operation, Studio, is "making more affordable, making more possible".

It's not just about who you're related to.
It's the people you care for.
The ones who are with you through thick and thin.
And the ones you do your best for, no matter what.
From life's necessities to its nice-to-haves, we believe that living within your means doesn't have to mean going without.
So every day we come to work, we deliver the same promise:
Make More Affordable, Make More Possible.

It is becoming a leading digital value retailer with a broad product offer of clothing and footwear alongside home and electrical products plus the more seasonal ranges, many of which can be personalised for free. Underpinning all this, is the drive to amaze our customers with value and provide them with a range of payment options, including our flexible credit facility. Our ambition is to increase and broaden the customer base, increase our share of their household spend and so achieve over £1 billion of revenue in the medium term.

Studio Retail Ltd is a regulated entity for consumer credit purposes. The Studio Retail Ltd board performs a strategic and oversight function and is currently chaired by the Senior Independent Non-Executive Director, Greg Ball, with the other members being the Group CEO, the Group CFO and the Group Secretary (providing the link up to the plc board). An Executive board led by the Group CEO is primarily responsible for the day to day implementation of strategy.

Key elements of the integrated retail and credit business model include:

- An intimate appreciation of and insight into our target customers' needs and aspirations
- Sourcing of great value goods selected to satisfy those needs and aspirations, including through our Far East Sourcing operations
- Both general brand awareness activity (e.g. TV ads) and specifically tailored digital marketing to our target demographics
- But understanding that for the foreseeable future the role of printed catalogues and marketing materials will continue to have a role to play alongside the digital marketing
- Financial Services operations with an FS Director and subject experts in areas such as the Credit Function to enable customers to spread the cost of their purchases
- A digital approach to business including but not limited to customer interface and transactions
- All supported by a mix of internal and external customer service centres
- A second line function covering compliance, risk management, QA and DPO.

Culture and Values

The Board has approved a clear statement of our Studio values which describe our desired culture. These values came through customer research and by involving 700 colleagues across the business.
We put the Customer at the Heart of everything we do by demonstrating the following values in everything we do:

#Inclusive – the broad product range has wide customer appeal, and the flexible payment option opens up our retail offer to customers who may prefer to spread the cost of purchases. To deliver this we act as one team, with no departmental silos.

#Trusted – customers have to be able to trust us to deliver the value and quality they expect, to deliver for those important family moments, like Christmas, and also that we make responsible decisions when we lend money. We do this by being positive and delivering against our promises.

#Amazing – we amaze customers with our value and product range, along with targeted offers and service. To do this we are innovative, think big and are creative.

#Savvy – for customers, shopping with Studio is clever – with its great range and value, there is no reason to buy elsewhere. For colleagues it means we are commercial, we hunt for great value and use the tools available to be even better at our jobs and deliver for our customers.

We are also developing our risk culture under which all our colleagues understand and work within acceptable levels of risk in carrying out their roles; know how and when to escalate risk issues; and feel comfortable doing so – and where management are consistently proactive in identifying, assessing and mitigating risk within the business and support the board in setting appropriate risk appetites.

Our Key Relationships

The Board has identified the following stakeholders as having the key relationships in supporting the Board achieve its long-term objectives.

Customers

We have the customer as the core focus of our strategy, understanding what it is that our customers need and want and seeking to satisfy those requirements and delighting our customers with the quality and value of our products and service. This focus was a strong theme throughout the Board's review of strategy during the year, including periodic presentations from the Studio Retail Marketing & E-commerce Director on feedback from customer surveys, focus groups and other market information. As part of this focus, the governance, resourcing and awareness needs of the business to avoid customer detriment were a key feature of the Board's discussions during the year, with regular updates being presented by financial services executives from Studio Retail Ltd. In line with the priorities of our financial services regulator, the FCA, recurring features of those discussions have been to review current and proposed business initiatives against our need to promote affordable lending, avoid persistent debt and deal appropriately with vulnerable customers. And the KPIs reported to and discussed by the Board include measures tracking performance against expected customer service levels.

Colleagues (Employees)

Elaine O'Donnell is the Board's nominated director for colleague engagement and her activities during the year are set out in the Directors Report on page 60. She reports periodically to the Board on these matters. In addition, the Remuneration Committee receives a report from management twice per year regarding remuneration, benefits and terms and conditions of employment across the group and this is taken into account by that committee when considering executive remuneration matters. The Board also receives regular reports regarding health & safety performance and compliance activities.

Suppliers

The Board receives regular reports containing KPIs and commentary regarding buying and merchandising and relationships with key suppliers. At the start of the pandemic last year, payment practices were the subject of discussion at the board table when considering cash flow projections and funding requirements. Studio aims to ensure suppliers are paid to agreed terms wherever possible. Increasingly, Studio is seeking to pass on our values through our supply chain and to develop clearer approaches to ethical sourcing and this is supported by the Board and in particular in the deliberations of its Risk Committee.

Stakeholder Engagement and Gender Diversity continued

Banks
Relationships with our group of banks is managed on behalf of the Board by the Group CFO, who holds regular discussions with the key lenders and also reports regularly to the board on these matters. The Group's revolving credit facility has recently been refinanced with a new maturity date of 30 September 2024. The securitisation facility was also increased during the year to cater for the continued growth in Studio's trade receivables. These facility amendments/extensions speak to the good working relationships we have with our banks.

Further details of the facilities can be found in the CFO's Report on pages **22 to 26**.

Pension Trustees
The Group CFO and the Secretary manage the relationship with the trustees of the closed defined benefit pension fund and report to the Board on these matters, where appropriate with the support of external advisers. Following the last triennial valuation and the £9m additional contribution following the sale of the Findel Education business, the board and the trustees have engaged collaboratively in an active programme to look at options to remove this potentially volatile liability from the group.

Regulators
The Company and its subsidiaries are overseen by several regulators, including the FCA (both as the UK Listing Authority and as a financial services regulator), the FRC, HMRC, the ICO and the HSE, amongst others. Appropriate levels of executive management are responsible for these relationships and the Board receives regular updates on interactions with these key regulators via the executive directors and the Secretary. The Board requires management to be transparent and cooperative with all its regulators.

Over the last two years, the oversight of Studio's response to the introduction of the FCA's Senior Managers & Certification Regime to solo regulated firms such as Studio was an important feature of the Board's work. The Board received and discussed with management regular updates on the progress of the compliance project.

The Community
This covers our relationships with wider society, whether local, national or international.

Our activities on local sponsorships, apprenticeships, charitable work, energy efficiency, waste package initiatives, our carbon footprint and other environmental matters are all reported in our Sustainability Report on pages **32 to 43**.

Shareholders
Shareholders are the ultimate beneficiaries of the output (increased shareholder value) from our success in delivering on our strategy.

Until recently, in Frasers Group plc the Company had a controlling shareholder for the purposes of the UK Listing Rules (holding more than 30% of the Company's shares) and the Board entered into a relationship agreement with Fraser Group as required under those Listing Rules, which is intended to protect the interests of other shareholders. That agreement automatically fell away on 26 May 2021 when Frasers Group notified the board that its shareholding had fallen below 30%. The Board has also arranged for Fraser Group to appoint a Board Observer to attend our Board meetings (although he has not attended such meetings since January 2020) alongside a non-disclosure agreement to protect the Company's confidential information.

Further details regarding the Board's relationships with shareholders can be found in the Corporate Governance Report on pages **52 to 56**.

As stated in the CFO's Report and in the Directors' Report, the Board is not recommending the payment of a dividend at the present time. Studio Retail Group plc does not have plans to reinstate dividend payments at this stage since it continues to prioritise investment in growing its customer base, improving digital capabilities, and in strengthening its financial position in light of the broader economic environment.

Sustainability

Our report on corporate social responsibility is set out in our Sustainability Report on pages 32 to 43. It describes how we are developing our sustainability strategy through our Sustainable, Responsible, Good Plan ("SRG Plan"), identifies our material issues, outlines our sustainability framework and reports on the 5 pillars of our SRG Plan, namely:

- Helping people thrive;
- Putting our colleagues first;
- Sourcing responsibly;
- Protecting our planet; and
- Upholding high standards.

Gender Diversity and Pay Gap Reporting

Each of our operating subsidiaries during FY21, Studio Retail Ltd and Findel Education Ltd, has reported the required data on Gender Pay Gaps on the

Government website and have also included those details within a longer narrative report on their respective websites (www.studioretail.co.uk and www.findel-education.co.uk). In accordance with the regulations Studio Retail will continue to calculate and publish these numbers annually.

Although not required under the reporting regime we have compiled a consolidated view of all UK employees within the group including the small head office team of less than 20 employees. In reading the results set out below it is important to remember the difference between gender pay and equal pay. Gender pay gap measures the difference in average male and female pay across the whole business on 5th April each year. Equal pay is a longstanding set of regulations which ensures that men and women are paid equally and fairly for doing the same work. As a result, a difference in the gender pay gap does not mean that we are rewarding people unfairly or treating people unequally.

And, by way of explanation, in the table below a positive number means that pay is in favour of men whilst a negative means that pay is in favour of women.

	Consolidated Studio Retail Group			
Hourly Pay & Bonus Summary	2017	2018	2019	2020
Mean Gender Pay Gap	17.5%	9.8%	13.5%	11.4%
Median Gender Pay Gap	-0.1%	-0.4%	-0.1%	2.9%
Mean Bonus Gender Pay Gap	39.7%	55.3%	80.2%	24.4%
Median Bonus Gender Pay Gap	62.5%	65.1%	24.9%	27.5%
Proportion of Males with a bonus	3.1%	1.6%	5.1%	5%
Proportion of Females with a bonus	5.1%	4.0%	7.1%	10.3%

Gender Split	Combined Consolidated Studio Retail Group
Females	780 (50.03%)
Males	779 (49.97%)

	Consolidated Studio Retail Group	
Quartile Summary	Men	Women
Lower	57.3%	42.7%
Lower Middle	38.79%	61.3%
Upper Middle	50.8%	49.2%
Upper	53.1%	46.9%

We are pleased to be able to report a decrease in the mean gender pay gap across the group as a whole, but a slight increase in the median means we still have some work to do. Different parts of our organisation face differing challenges resulting from their respective workforce profiles. However, taking the group picture as a whole, our workforce remains well balanced with virtually a 50/50 male and female split. We've seen a reduction in the number of males across all quartiles vs last year, with the exception of the upper middle, where the number of males has increased by a significant four percentage points. Whilst we have more women in the lower middle quartile, it's the upper quartile which drives our mean gender pay gap.

Our management teams continue to develop a range of strategies to seek to address our gender pay gap but the issue is a complex one and reaching parity is a long-term challenge for most businesses, including Studio Retail Group. These strategies will be specifically tailored to the different challenges faced in each area of our business, but some examples which will feature in appropriate areas include:

- Reviews of our organisational design to reinforce our corporate culture and values.
- Recruitment processes: whilst we will always look to employ the best person for the job based on their skills and experience, we will broaden our attraction methods to improve the number of applications received from women at senior levels
- Continual training, development and progression planning across our workforce to help raise aspirations and challenge gender stereotypes
- Steps to identify and remove unconscious bias
- "Returnships" – the targeting of recruitment activities at those who are looking to return to work after career breaks and provision of appropriate workplace support.
- Seeking to become more agile in our working arrangements

Our aim, across the business, is to ensure that we reward our people based on the role they are asked to perform and their performance in that role. Progression opportunities will continue to be open to all regardless of any personal characteristics or personal working pattern. Furthermore, we will continue to review our reward policies and their application to ensure they are based on personal merit and that the potential for any bias is removed.

Finally, we have maintained our boardroom diversity with two female members on the board throughout the financial year. Following Phil Maudsley's retirement from the Board on 26 March 2021, we have 29% female representation on the Board.

Principal risks and uncertainties

Risk	Root cause	Key mitigating controls
Socio-economic Pressures on the levels of disposable income available to lower socio-economic groups, who form a core part of Studio's customer base.	The economic outlook is uncertain, particularly in relation to the impact of Covid-19, Brexit and more broadly changes in unemployment, interest rates and inflation and wage restraint.	The expansion of our digital activity and a shift in customer acquisition strategy has broadened the overall customer footprint and reduced our dependency on older, lower socio-economic customer segments. Successful implementation of our strategies to recruit and retain customers, thereby increasing our customer base, will dilute this impact. Management information tools, alongside Studio's governance framework, identify trends within the receivables portfolio enabling strategic changes to be proposed and implemented promptly.
Financial Crime The risk of financial crime being attempted or committed against Studio, its customers or employees.	Increasing cyber activity and fraud rings makes this an area of higher potential risk.	Continuing to embed, develop and improve our Business Incident Management Process. The introduction of enhanced fraud detection capability and cyber security protection, including enhancements to process and governance.
Technology Potential disruption to the business due to the instability of Studio's legacy IT systems and infrastructure.	The business remains highly dependent upon legacy systems both in the support of running the business on a daily basis and the storage and protection of customer data.	The Business Continuity Framework continues to evolve, with a continuation of resilience testing and a review of recovery plans. The business has continued to invest to update its technology solutions as it seeks to lower its dependency on legacy systems.
Financial Execution and liquidity risks from a substantial multi-year plan of transformation and growth at Studio.	Funding growth within our integrated retail and credit business model is dependent on the continued availability of debt facilities. Any weakness in project and change management in the delivery of key priorities. High level of demand on planning and resource management to ensure timely and on budget delivery.	Appropriate debt facilities are in place for the medium term and regular and rigorous viability exercises are undertaken. The main debt facility has recently been extended to mature in September 2024 following the sale of Findel Education. Fiscal controls, including business forecasting in support of stock and cash flow management. A Change Committee operates within Studio to scrutinise, prioritise and oversee resourcing and delivery of transformation projects. There continues to be a detailed process of integrated cash management to meet the demands of (i) change and capital deployment within the business; alongside (ii) daily operational requirements.

Risk	Root cause	Key mitigating controls
People Attracting and retaining the right talent in the business, particularly in the highly competitive areas of digital marketing, IT development and cyber security, to support the deployment of our high growth digital strategy.	Limited available experienced staff in key business and technical areas and high demand for those people.	Significant progress has been made in attracting new talent to the business resulting in the renewal of the senior management teams throughout the Group. Developing the business as a regional employer of choice is a key objective and as such, enhanced personnel frameworks and reward strategies are being developed.
Legal and Regulatory Failure to comply with legal and regulatory developments could result in significant financial penalties, including fines or sanctions and could also leader to reputational damage and/or restrictions on Studio's ability to trade.	An ever-changing legal and regulatory landscape which impacts the ways in which Studio currently operates, particularly in respect of the consumer credit aspect of Studio's business.	Policies, procedures and training are in place for employees whose role is impacted by financial regulation and Studio keeps these under review. A range of assurance activity is undertaken by Studio's three lines of defence in order to ensure compliance to legal and regulatory requirements. Creation of a first line risk team and planned enhancement of the second line Risk and Compliance function to respond to changing requirements.
Supply chain disruption A material interruption to the product supply chain could reduce the level of retail trading.	Brexit could lead to new barriers to trade with some overseas countries. In particular, Studio imports a relatively high proportion of its retail products from China, either sourced directly or indirectly. A further rise in geopolitical tensions with China could lead to legislative or economic barriers to trade being introduced.	Studio's Shanghai sourcing office is actively seeking to widen the number of countries that it sources products from, whilst retaining appropriate quality standards. Studio has recently changed its shipping partner which has helped to increase the level of visibility of stock in transit.
Warehousing Any inability to operate from one of our key warehouse facilities centres.	While Studio has a number of warehouse facilities, there is a high dependency on its main facility in Accrington.	Appropriate disaster recovery plans have been developed and are periodically reviewed and upgraded. The key systems were last tested successfully for recovery in June 2021.

Directors, Officers and statutory information

Mr M I Burke
Chairman

Ian Burke has chaired the Board since January 2017. He is currently chair of Pets at Home Group plc. He has extensive board experience with previous positions including: non-executive senior independent director of intu properties plc, CEO of Thistle hotels, chair of the privately owned veterinary group Vet Partners and a long tenure on the board at The Rank Group plc, as non-executive chair, executive chair and CEO. Ian brings to the board a wealth of experience from the leisure and retail sectors and has significant prior experience of participation in audit and remuneration committees.

Appointed

January 2017

Mr P R Kendrick
Chief Executive Officer

Paul Kendrick was appointed to the Board on 16 December 2019 and was appointed CEO on 26 March 2021. He joined the group in May 2016 initially as Commercial and Deputy Managing Director of Studio Retail Ltd. Prior to joining Studio, he was Marketing and Ecommerce Director at Bonmarche, and held various roles at N Brown Group including leading Marketing, Financial Services, International and Group Development functions. Much of Paul's early career was spent within the travel industry, at both Thomson (now Tui) Travel and The Co-operative Group.

Appointed

December 2019

Mr S M Caldwell
Chief Financial Officer

Stuart Caldwell joined the group finance team in October 2010 and held the post of Acting CFO from April 2017 before his appointment to the Board on 13 July 2017. He is a qualified Chartered Accountant and a fellow of the Association of Corporate Treasurers. After qualifying within the profession, he held a number of roles with Provident Financial plc before moving to Studio Retail Group.

Appointed

July 2017

Mr G F Ball
Senior Independent Director

Greg Ball was appointed to the Board on 23 February 2016. He has held a number of executive and non-executive roles in retail and regulated financial services, including senior positions at Home Retail Group plc and Littlewoods Organisation plc. He is currently a non-executive director of Ageas UK and of Asset Solutions Group.

Appointed

February 2016

Secretary and Registered Office:
Mr M Ashcroft
Church Bridge House
Henry Street
Accrington
Lancashire
BB5 4EE

Company Number:
549034

Auditor:
Mazars LLP
1 St Peter's Square
Manchester
M2 3AE

Registrars:
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

A B D

Ms C V Askem

Non-executive director

Clare Askem was appointed to the Board on 21 March 2019. Clare is also a non-executive director of Portmeirion Group PLC and of The Law Debenture Corporation p.l.c. She was previously Managing Director of Habitat within the Sainsbury's group of companies, having held numerous senior management positions in the past at PC World, Dixons Retail plc and Home Retail Group/ Sainsbury's.

Appointed

March 2019

A B C D

Mr F-R M Coumau

Non-executive director

Francois Coumau was appointed to the board on 12 August 2013. He was previously Group Managing Director at Immediate Media Company Limited having also held a series of senior roles at eBay, most recently as General Manager for Continental Europe. Prior to this, his career included senior roles at L'Oreal and Mars. He is also non-executive chair of Story Terrace and a director of Reasonance Ltd, where he provides coaching services to early stage and growth companies in the digital sector.

Appointed

August 2013

A B C D

Ms E M O'Donnell

Non-executive director

Elaine O'Donnell was appointed to the Board on 1st February 2018. She is a former Partner at EY with over 20 years' experience operating in a senior advisory capacity across a range of industry sectors and situations. She is currently chair at Games Workshop Group plc and a non-executive director at On The Beach plc. Elaine was also formerly a non-executive Director at The Manufacturing Institute, a charity focused on promoting and improving manufacturing in the UK and MSIF, a not for profit organisation offering business funding in the North West.

Appointed

February 2018

Committee member key

- A Nomination Committee
- B Audit Committee
- C Risk Committee
- D Remuneration Committee
- Committee Chair

Corporate governance report

Compliance

The Board considers that throughout the year under review the Company has complied with the relevant provisions of the 2018 issue of the UK Corporate Governance Code (the "Code"), and with the rules of the UK Listing Authority. A copy of the Code can be located at https://www.frc.org.uk..

Application of the principles of the Code

At the heart of the Code is an updated set of Principles that emphasise the value of good corporate governance to long-term sustainable success. By applying the Principles, following the more detailed Provisions and using the associated guidance, the Company can now demonstrate through this report how the governance of the Company contributes to its long-term sustainable success and achieves wider objectives.

Board Leadership and Company Purpose

Following the retirement of Phil Maudsley on 26 March 2021, the Board was made up of seven members comprising the Chairman, Ian Burke; two executive directors, namely the Chief Executive, Paul Kendrick and the Chief Financial Officer, Stuart Caldwell; and four non-executive directors. The Board considers Mr Burke to have been independent at the time of his appointment as Non-Executive Chairman. The non-executive directors are each considered by the Board to be independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement. Biographical details of each of the directors, which illustrate their range of experience, are set out on pages 50 and 51.

The Chairman, Mr Burke, joined the Board on 12 January 2017. His other commitments are summarised in the biographical details on page 50. He took up the non-executive chair role at Pets at Home Group plc in May 2020 and during the year his directorship at Intu Properties plc came to an end. The Board considers that Ian's other commitments are not a constraint on his agreed time commitment to the Company.

Mr Kendrick was appointed to the Board on 16 December 2019. He took over as Chief Executive on the retirement of Phil Maudsley on 26 March 2021. Mr Kendrick joined the group in May 2016 initially as Commercial Director and Deputy Managing Director of Studio Retail Ltd (SRL). He took over as Managing Director of SRL in April 2017 and has successfully completed the first phase of our digital transformation, moving Studio from a traditional catalogue retailer to an online pureplay, whilst maintaining significant profitable growth.

Mr Maudsley retired from the Board on 26 March 2021 following more than 30 years with the Group having completed the planned transition to Mr Kendrick.

Elaine O'Donnell has decided not to seek re-election at the 2021 AGM having completed her initial term of 3 years. Francois Coumau will also retire from the Board, at the conclusion of the 2021 AGM, having served for 7 years.

The non-executive directors meet from time to time, and at least annually without the executive directors being present and meet separately to review the Chairman's performance after each financial year end.

The Board assesses annually whether each non-executive director is independent against the criteria set out in the Code and confirms that it has concluded that each of the non-executive directors is independent on that basis.

The Board considers that Mr Burke's leadership experience at both executive and non-executive levels is enabling him to chair the Board with a clear focus and purpose whilst providing both support and robust challenge to the executive team. His time at Rank, leading a significant player in a regulated industry is a further important feature of his previous experience and is valued by the Board.

In addition to their general independence of mind and approach the non-executive directors each bring their own perspectives, experience and strengths to the direction of the Company, together comprising a balanced team. Clare Askem brings significant and relevant retail executive management experience; Greg Ball brings previous home shopping retail and consumer credit experience and current financial services activity; Mr Coumau's consumer product background and web based business activities add to the Board's breadth of views; and Ms O'Donnell brings her accountancy background and business consulting expertise to the group.

Directors are subject to election at the next annual general meeting following their appointment and are subject to reappointment at least every three years. The Board has determined that in the normal course non-executive directors will be asked to serve two terms of three years. However, the Board reserves to itself the discretion to extend terms beyond the two terms of three years, if the particular circumstances warrant it, up to a maximum of 9 years.

The appointment and replacement of directors of the Company is governed by the Company's Articles of Association, the Code, the Companies Act 2006 and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of directors are described in the Articles and the Terms of Reference of the main Board committees, copies of which are available on request, and are summarised in this Corporate Governance Report on pages 52 to 56.

Notwithstanding the above, and in line with the UK Corporate Governance Code, the Board has determined that all continuing directors should stand for election or re-election on an annual basis and this approach will continue to be adopted at the 2020 Annual General Meeting. As referred to above, Ms O'Donnell and Mr Coumau will retire from the board at the conclusion of the 2021 annual general meeting.

Conflicts of Interest

The Company has a procedure for the disclosure, review, authorisation and management of directors' conflicts of interest and potential conflicts of interest, in accordance with the provisions of the Companies Act 2006. The procedure is included in the Articles of Association and has been adhered to by the Board since its introduction. In deciding whether to authorise a conflict or potential conflict of interest, the directors must have regard to their general duties under the Companies Act 2006. The authorisation of any conflict matter, and the terms of authorisation are reviewed by the Board as appropriate and, as a minimum, on an annual basis.

From the start of FY21 until November 2020, Mr Ball was non-executive chairman of Ingelby (2016) Ltd, trading as Panther Logistics and Asset Solutions, and had notified the Board of his interest in a contract between that company and Studio Retail Ltd for "two man" deliveries of Studio products to its customers. The contract was negotiated at arm's length between the two companies and without any involvement from Mr Ball, who has no personal financial interest in the contract. Mr Ball is no longer a member of the Ingleby board. During the period ended 26 March 2021, no director had any other material interest in any significant contract to which the Company or any subsidiary was a party.

Board Procedures

The Board and each of its standing committees has an annual programme of scheduled meetings with dates settled well in advance of the start of each year. In addition, meetings can be called at short notice as and when circumstances dictate. The Board receives adequate and timely information to enable the directors to discharge their duties. In addition to matters statutorily reserved for a board, there is an agreed schedule of matters reserved for the Board for collective decision including:

– determining the strategy and control of the Group;
– amendments to the structure and capital of the Group;
– approval of financial reporting and internal controls;
– approval of capital and revenue expenditure of a significant size;
– acquisitions and disposals above a prescribed level; and
– corporate governance matters and approval of Group policies and risk management strategies.

The Board delegates to management the day to day management of the Company's businesses and other matters not specifically reserved to the Board.

Further details relating to the Company's internal control and risk management systems in relation to the financial reporting process can be found in the Report of the Audit Committee on pages 64 to 67 and in the Report of the Risk Committee on pages 96 to 97. The Reports of the Audit Committee, the Risk Committee, and the Nomination Committee form part of this Corporate Governance Report and are incorporated into this Corporate Governance Report by reference.

To enable the Board to perform its duties effectively all directors have full access to all relevant information and to the services of the Company Secretary whose responsibility it is to ensure, through the Chairman, that Board procedures are followed. The appointment and removal of the Company Secretary is a matter reserved for the Board. There is an agreed procedure whereby directors wishing to take independent legal advice in the furtherance of their duties may do so at the Company's expense. Appropriate training is available to all directors on appointment and on an ongoing basis as required.

The terms of reference for each of the Board Committees are available on request from the Company Secretary or on the Company's website (www.studioretail.group).

Corporate governance report continued

Attendance at Board and Committee Meetings

The year under review was an exceptionally busy one for the Board, and all its meetings were held via a remote, on-line portal given the restrictions in place in response to the Covid-19 pandemic. The Board held eight scheduled meetings during the financial year with full attendance by all Board members in each case. In addition, the Board held a total of sixteen other meetings at short notice during the year. These impromptu meetings addressed the impact on and reaction of the Company to the Covid-19 Pandemic; key developments in the Competition and Markets Authority review of the proposed and ultimately abandoned sale of Findel Education to YPO; certain banking matters; the succession of Paul Kendrick as CEO (from which the executive directors recused themselves); and the Board's strategic review. Again, there was full board attendance at each of these short notice meetings, save for those from which the executive directors recused themselves, and save for two meetings regarding the strategic review in the final weeks before Mr Maudsley's retirement, which he did not attend.

The table below sets out the attendance records of each of the directors during the year at the scheduled board meetings and meetings of the four standing committees:

	Board	Audit Committee	Risk Committee	Remuneration Committee	Nomination Committee
Ian Burke	8	*	*	*	4
Phil Maudsley	8	*	*	*	*
Stuart Caldwell	8	*	*	*	*
Paul Kendrick	8	*	*	*	*
Clare Askem	8	4	*	7	1#
Greg Ball	8	4	3	7	4
Francois Coumau	8	*	3	7	4
Elaine O'Donnell	8	4	3	7	4
Number of meetings in the year	8	4	3	7	4

* Director is not a member of this Committee
\# Clare Askem was appointed to the Nomination Committee with effect from 14 August 2020 and attended the one meeting of that Committee held during the year after that date.

Board Effectiveness

During FY21, the Board continued to build on the outcomes from previous assessments and the Chairman held one to one reviews by telephone/on-line meetings with each of the directors. The Covid-19 pandemic struck at the time when the board would ordinarily carry out its annual review of effectiveness and the Board restricted its review at this time to these one to one discussions. A similar process has been adopted since the year end for the FY22 annual board review. Those discussions covered the effectiveness of the Board and its individual members and each of the four standing Committees of the Board.

The Senior Independent Director, Mr Ball, chairs annual meetings of the independent non-executive directors to discuss the performance of the Chairman. The Senior Independent Director then discusses the results of the assessment with the Chairman.

Relations with Shareholders

The Company recognises the importance of communicating with its shareholders, to ensure that its strategy and performance are understood. This is achieved principally through the Interim Report, periodic trading statements, the Annual Report and the Annual General Meeting. In addition, a range of corporate information is available to investors on the Company's website (www.studioretail.group).

The Chairman, the CEO and the CFO are primarily responsible for investor relations. The Company has a concentrated share register, with Frasers Group (27.14%), Schroders (19.20%) and Fidelity (9.91%) having significant voting rights (figures correct as at 17 June 2021). Feedback from major shareholders is reported to the Board and discussed at its meetings and from time to time the Chairman also discusses the views of the Company's major shareholders with the non-executive directors. Formal presentations are made to institutional shareholders following the announcement of the

Company's full year and half year results and the slides used in those presentations are published on the Company's website (www.studioretail.group). The Chairman of the Remuneration Committee also writes to major shareholders and the main proxy voting agencies ahead of the annual non-binding AGM vote on the Remuneration Report when there are any significant changes to the basis of incentive arrangements for executive directors, and ahead of the triennial vote on the Directors' Remuneration Policy.

Frasers Group previously held in excess of 30% of the Company's listed shares and as required under the Listing Rules of the UK Listing Authority, the Company entered into a Relationship Agreement with Frasers Group, which sought to protect the interests of other shareholders. That Relationship Agreement terminated in accordance with its terms when Frasers Group's shareholding fell below 30% on 26 May 2021.

The arrangements for Mr Liam Rowley to act as Board Observer of the Company's Board meetings on behalf of Frasers Group remain in place. Under the arrangements agreed with the Board, Mr Rowley is entitled to receive board papers (redacted as appropriate to address conflict issues) and to attend but has no right to vote at Board meetings. He does not attend Committee meetings. The terms of this arrangement are set out in an exchange of letters between the Chairmen of the two companies and is also regulated by a Non-Disclosure Agreement between the two companies. Mr Rowley has not attended meetings, nor (at his request) has he received board papers, since January 2020.

The Board recognises that the Annual General Meeting is the principal forum for dialogue with private shareholders. All directors normally attend the Annual General Meeting and are available to answer any questions that shareholders may wish to raise. The Notice of Meeting is sent to shareholders at least 20 working days before the meeting. Shareholders vote on a poll and the results are announced to the market and on the Company's website after the close of the meeting.

In light of the UK Government measures in response to the Covid-19 pandemic and the Company's desire to protect the health and safety of our shareholders and employees, our 2020 annual general meeting was held as a closed meeting and as such shareholders were not permitted to attend in person.

As set out in the Directors Report on page 61 the Board plans to hold the 2021 Annual General Meeting in person, although this is subject to review in the light of the developing Covid-19 pandemic and the Government's related restrictions and guidance in force at the time of the meeting.

Powers of the Board

The directors manage the business of the Company subject to the Companies Act 2006 and the Articles of Association of the Company and subject to such directions as are prescribed by the Company by special resolution.

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property, assets and uncalled capital and to issue debentures and other securities whether outright or as collateral security, for any debt, liability or obligation of the Company or of any third party. The Board must restrict the borrowings of the Company and exercise all powers of control exercisable over its subsidiaries so that the total amount of the Group's borrowings (exclusive of inter-group borrowings) do not exceed £450,000,000. However, the Company may pass an ordinary resolution allowing borrowings to exceed such limit.

The Board may, subject to the provisions of the Companies Act and shareholder approval where required, exercise its authority to allot shares, grant rights to subscribe for shares or to convert any security into shares. Shares may be issued with such rights or restrictions as may be approved by resolution of the shareholders and shares may be issued on terms that they are, or at the option of the Company may be liable to be, redeemed. The Board may, prior to allotment, determine the terms, conditions and manner in which shares can be redeemed by the Company.

Nominated Directors

Greg Ball is the Company's Senior Independent Director.

Elaine O'Donnell is the director with a particular focus on colleague (employee) engagement. A programme of work has been developed by her with the executive team and is reported on in the Directors Report on pages 57 to 61.

Corporate governance report continued

Committee Membership

During the year the membership of the Board's standing committees remained as before, save that Clare Askem joined the Nomination Committee on 14 August 2020.

Ms Askem will take over the chair of the Remuneration Committee when Francois Coumau retires from the Board at the close of the 2021 annual general meeting. The Board is currently recruiting an additional non-executive director who will take over the chair of the Audit Committee following Elaine O'Donnell's retirement from the Board. An announcement will be made in due course.

Details of the membership of the committees as at the end of the period under review are included on pages 50 and 51.

Audit Committee

The Audit Committee operates under written terms of reference which are available on the Company's website (www.studioretail.group) and is comprised solely of independent non-executive directors. It is chaired by Elaine O'Donnell. The Committee's report is set out on pages 64 to 67. The Audit Committee as a whole has the required competence relevant to the sectors in which the Group operates.

Risk Committee

The Risk Committee operates under written terms of reference and is comprised solely of independent non-executive directors. It is chaired by Greg Ball. The Committee's report is set out on pages 96 to 97.

Remuneration Committee

The Remuneration Committee operates under written terms of reference. It is comprised solely of independent non-executive directors and is currently chaired by Francois Coumau. The Committee's report is set out on pages 68 to 95.

Nomination Committee

The Nomination Committee operates under written terms of reference and is comprised of the Chairman, and the independent non-executive directors. It is chaired by the Chairman, Ian Burke. The Committee's report is set out on pages 62 to 63.

Terms of Reference and Role Statements

The terms of reference for each of the above Committees, together with Role Statements for the Chairman, the Chief Executive and the Senior Independent Director are available on the Company's website (www.studioretail.group)

On behalf of the Board

Mark Ashcroft
Company Secretary
29 June 2021

Directors' report

The directors present their annual report and accounts on the affairs of the Group, together with the financial statements and Auditor's report for the 52-week period ended 26 March 2021. The Corporate Governance Report set out on pages 52 to 56 forms part of this report.

Strategic Report

Pursuant to sections 414A-D Companies Act 2006, the Strategic Report can be found on pages 1 to 49. This includes a review of the Group's activities; the principal risks and uncertainties facing the Group; the main trends and factors likely to affect the future development, performance or position of the Group's business; and the key performance indicators identified by management. The Directors' Report and the Strategic Report also comprises the management report for the purposes of the FCA Disclosure and Transparency Rules (DTR 4.1.8R). All such information as is required to be contained in this report by s.417 of the Companies Act 2006 is incorporated by reference into this report.

Going concern

The directors have adopted the going concern basis in preparing these financial statements after assessing the principal risks and having considered the impact of severe but plausible downside scenarios for COVID-19. The Group is financed by a securitisation facility and a Revolving Credit Facility ("RCF") as disclosed in note 18. The directors considered the impact of the current COVID-19 environment on the business, as disclosed in the strategic report, for the next 12 months, the viability period and the longer term. Whilst there is inherent uncertainty in forecasts caused by COVID-19, the directors have considered a number of impacts on sales, profits and cash flows.
The directors have assumed that the Group's operations remain open and that we will continue to be able to serve our customers in the event of any further national lockdowns, as we have done since March 2020. The downside sensitivities considered include a reduction in new customer growth and existing customer spend, the level of future forecast revenue and gross margin growth as well the impact of economic factors (particularly unemployment rates) on the ability of the Group's customer base to continue to shop with us and to service their credit accounts. The directors also considered the impact of these sensitivities occurring in combination. In the event that one of or a number of these downside scenario arise at the same time the directors consider they are able to take reasonable mitigating actions, which include but are not limited to, a reduction in discretionary capital expenditure and a reduction in discretionary marketing spend. Implementing these mitigating actions would enable the Group to continue to operate within its existing facilities during the forecast period.

The directors believe that the Group is well placed to manage its financing and other business risks satisfactorily, noting that further agreement would be required to make fresh drawings on the securitisation facility after 30 December 2022 and its RCF matures on 30 September 2024, and have a reasonable expectation that the Group will have adequate resources to continue in operation for at least 12 months from the signing date of these consolidated financial statements. They therefore consider it appropriate to adopt the going concern basis of accounting in preparing the consolidated financial statements.

Covid-19 Pandemic

The impacts on the Group's operations from the Covid-19 pandemic are described within the Strategic Report. The Studio business was able to trade continuously throughout the year and saw strong levels of trading and new customer recruitment. The Education business saw greater levels of disruption due to the closure of schools and the consequential reduction in demand for its products in certain periods of the year. Both divisions put in place the necessary steps to ensure that colleagues were able to either work remotely or in a Covid-secure workplace environment as appropriate. Additional resources were put in place for hygiene and screens, with extra deep-cleaning of warehouse premises from time to time.

At the outset of the pandemic, whilst the implications of how trading could continue for a non-essential retailer were being assessed, the businesses made use of short-term cash flow supports offered by HMRC. The Education business also drew furlough support in respect of a significant number of its colleagues. All of this support was repaid later in the year.

Additional forbearance measures were put in place for Studio's credit customers on request, including offering up to two 90-day payment holidays where necessary for the customer's circumstances.

The Studio business continues to retain a cautious approach to the number of colleagues being on site, in part because its offices and warehouses are located in Greater Manchester and Lancashire, where infection rates have often been higher than the national averages.

Brexit

The principal challenge that continues to be faced by the business as a result of the United

Directors' report continued

Kingdom leaving the European Union is in respect of the Northern Ireland Protocol. The Protocol was agreed by the UK Government in October 2019 and was aimed at avoiding the introduction of a hard border on the island of Ireland. The Protocol requires that the UK authorities apply EU customs rules to goods entering Northern Ireland, with the effect that the sales made to customers in Northern Ireland are now effectively treated as exports. This is a substantial operational change for a business that historically has only made sales to UK customers. Whilst the enforcement of the Protocol by HMRC has been delayed until 31 October, we continue to work with our distribution partners to make the necessary system and data changes to allow us to be able to comply with the requirements of the Protocol and continue to serve customers in Northern Ireland.

Viability Statement

While the financial statements have been prepared on a going concern basis, the provisions of the UK Corporate Governance Code require the directors to make a statement in the annual report with regard to the viability of the Group, including explaining how they have assessed the prospects of the Group, the period of time for which they have made the assessment and why they consider that period to be appropriate.

The Board has reviewed the viability of the Group for the three-year period up to March 2024. The Board selected this period of review as it aligns with the Group's normal strategic planning process which results in the development and approval by the Board of medium-term business plans each year. These plans consider the Group's future projections of sales growth, profitability, cash flows, capital requirements and resources for each of its divisions, together with covenant compliance and other relevant financial and regulatory ratios over the forecast period.

The plans were then subjected to sensitivity analyses that considered the Group's resilience to the occurrence of severe but plausible downside scenarios taking account of the impact of COVID-19, which amongst other matters, addressed the impact of economic factors (particularly unemployment rates) on the ability of our customer base to continue to shop with us and to service their credit accounts. Consideration was also given to the likely impact of the Group's principal risks over that planning horizon after taking account of the mitigation actions that could be taken to reduce the impact or occurrence of those risks, which are set out in the principal risks and uncertainties section on pages 48 to 49. In particular, it was noted that that further agreement would be required to make fresh drawings on the securitisation facility after 30 December 2022 (although its final maturity falls outside of the review period). The Board formed the view that it was reasonable to assume that the Group would be able to access renew the facility on broadly similar terms at the appropriate time.

On the basis of this review, the Board confirms that it has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period up to March 2024.

Dividends

The directors have determined that no interim dividend will be paid (FY20: nil) and are not recommending the payment of a final dividend (FY20: nil).

The Board will focus on further strengthening the financial position of the Studio Retail Ltd balance sheet and that of the parent company, including by potentially acquiring insurance cover for the Group's legacy defined benefit pension scheme. As such the Company does not have plans to re-instate dividend payments at this stage.

The rights of the holders of convertible shares to restrict dividends have expired because, with effect from midnight on 23 March 2021, all of the convertible shares automatically converted into deferred shares, which do not attract such rights.

Financial Risk Management

Policies on financial risk management are set out in note 27, on page 66 of the Report of the Audit Committee, on pages 96 to 97 of the Report of the Risk Committee and on page 26 of the Strategic Report.

Capital Structure

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 23 and such information is incorporated into this report.

The Company has two classes of share, neither of which carries rights to fixed income. The rights and obligations attaching to both classes of share are contained in the Articles of Association, a copy of which is available for inspection at the registered office of the Company. The ordinary shares carry the right to attend and speak at general meetings of the Company, to one vote on each resolution at such meetings, to appoint proxies to exercise full voting rights and to participate in any distribution of income or capital.

With effect from midnight on 23 March 2021, the conversion rights attaching to the convertible shares lapsed. Accordingly, as at such time, all of the convertible shares automatically converted into deferred shares with no voting rights nor any right to participate in the profits of the Company. A resolution will be proposed at the 2021 annual general meeting to enable the cancellation of the deferred shares.

There are no specific restrictions on the size of a holding or on the transfer of ordinary shares or deferred shares and there are no requirements for prior approval of any transfers; all such matters are governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights. The Articles of Association may only be changed with agreement of shareholders.

Details of employee share schemes are set out in note 22. Shares held by the Company's Employee Benefit Trust rank pari passu with the ordinary shares in issue and have no special rights, but abstain from voting.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company such as commercial contracts, bank loan agreements, property lease arrangements and employees' share plans. Any such situation would be carefully managed to ensure that any effect on the business was minimised.

Furthermore, the directors are not aware of any agreements between the Company and its directors or employees that provide for compensation for loss of office or employment that occurs as a consequence of a takeover bid, other than as disclosed in the Board Report on Directors' Remuneration.

Acquisition of own shares

The Company did not obtain authority from shareholders at the AGM held in September 2020 to purchase its own shares. The Company made no purchases of its own shares during the financial year and no shares were acquired by forfeiture or surrender or made subject to a lien or charge.

Directors

The directors of the Company at the date of this report are shown on pages 50 and 51. Information concerning their interests in the share capital of the Company as at 26 March 2021 and as at 29 June 2021 is included in the Board Report on Directors' Remuneration on pages 68 to 95. All the directors served throughout the year. As previously announced, Phil Maudsley retired from the Board at the end of March 2021 following more than 30 years with the Group and Paul Kendrick took over as CEO of the Company at that time. This is the outcome from a structured development and succession plan implemented by the Board working with both Mr Maudsley and Mr Kendrick over several years.

Further details regarding changes to the Board can be found in the Corporate Governance Report on pages 52 and 53.

A summary of the rules relating to the appointment and removal of directors by shareholders and details regarding the powers of the directors are set out in the Corporate Governance Report on page 55. Notwithstanding those rules, and in line with the UK Corporate Governance Code, the Board has decided that all continuing members of the Board will continue to put themselves up for election or re-election on an annual basis.

The Board considers that Mr Burke's leadership experience at both executive and non-executive levels is enabling him to chair the Board with a clear focus and purpose whilst providing both support and robust challenge to the executive team. His time at Rank, leading a significant player in a regulated industry is a further important feature of his previous experience and is valued by the Board. The members of the Committee (other than the Chairman) having reviewed the performance and continued commitment of the Chairman recommend the reappointment of the Chairman at that meeting.

Following the annual board performance evaluation, the Chairman confirms that the performance of each of the directors has been effective throughout the period, and that they have continued to demonstrate commitment to their roles.

Mr Kendrick has successfully led and managed the transition of Studio Retail Ltd to a digital home retail business whilst maintaining and in FY21 significantly accelerating its year on year growth trajectory. He joined the Board in December 2020 as a preparatory stage of his planned succession to the CEO role in March 2021. Since his appointment as CFO in 2017, Mr Caldwell has demonstrated his capability in his first such role with a plc, and continues to perform well supporting the CEO, the Chairman and the Board in developing and financing the business.

Directors' report continued

The Nomination Committee endorses the respective proposed reappointments of Mr Kendrick and Mr Caldwell at the forthcoming 2021 Annual General Meeting.

Each of Mr Kendrick and Mr Caldwell has a service contract with the Company which provides a six-month notice period. Ian Burke as non-executive chairman does not have a service contract with the Company but has a one-month notice period under his letter of appointment. The other non-executive directors do not have service contracts with the Company and their letters of appointment do not provide for a period of notice.

The appointment of non-executive directors is normally for an initial period of three years, subject to review and re-election in General Meeting. In the normal course non-executive directors will be asked to serve two terms of three years although the Board reserves to itself the discretion to extend terms beyond the two terms of three years, if the particular circumstances warrant it, up to a maximum of 9 years. Further details of the service contracts and letters of appointment of directors can be found on pages 81 and 82 of the Board's Report on Directors' Remuneration.

Directors' and Officers' Insurance and Indemnity

The Group maintained insurance for directors and officers of the Group during the financial year, indemnifying them (to the extent permitted by law and the Company's Articles of Association) against certain liabilities incurred by them when acting on behalf of the Group. The Company has executed deeds of indemnity for the benefit of each director in respect of liabilities which may attach to them in their capacity as directors of the Company. Neither the insurance nor the deeds of indemnity provide cover where the relevant director or officer has acted fraudulently or dishonestly.

Colleagues and Colleague Engagement

Our colleagues are our business and we think of them like family members. We are proud of our unique and supportive culture, as captured in the four values we live by: #inclusive, #trusted, #amazing and #savvy. We keep colleagues healthy and safe, provide support when things get tough, and do whatever we can to help them be successful in everything they do. We are focused on providing learning and development opportunities for all, and on building a diverse, inclusive and welcoming team.

We provide information to colleagues regarding the Group and factors affecting its performance through WOW Weekly Updates, normal management channels and regular consultation. Further information regarding our colleagues can be found in the Directors' section 172 statement on page 44 and in the Sustainability section of the Strategic Report on pages 36 to 37.

The Company recognises its social and statutory duty to employ disabled persons and pursues a policy of providing, wherever possible, the same employment opportunities to disabled persons as to others, and training for employees who have become disabled during the period when they were employed by the Group.

Ms O'Donnell took up the role of director for employee engagement in April 2019 and her engagement programme continued during the year, albeit within the confines of the inevitable Covid related restrictions. This has included virtual attendance at a number of "coffee and cake" sessions with groups of Studio Retail employees, virtual participation in a Q&A session at a group senior leaders event, reviews with divisional HR Directors of periodic colleague engagement surveys, and specific listening sessions to follow up on the engagement surveys. Elaine has reported back to the Board on these activities and both she and senior management have been encouraged by the level of interaction and open dialogue which these initiatives have produced.

Further information regarding our colleagues can be found in the Directors' section 172 statement on page 44 and in the Sustainability section of the Strategic Report on pages 36 to 37.

Environmental matters

Information on environmental matters, including our greenhouse gas emissions is disclosed in the Sustainability section of the Strategic Report on pages 40 to 41.

Overseas Branches

The Group does not have any branches outside the United Kingdom.

UK Corporate Governance Code

The Company's statement on corporate governance can be found in the Corporate Governance Report on pages 52 to 56. The Corporate Governance Report forms part of this Directors' Report and is incorporated into it by its cross reference.

Political donations, expenditure and contributions

No political donations, expenditure or contributions were made during the financial year (2020: £nil).

Substantial Shareholdings

As at 26 March 2021 the Company had been notified pursuant to the Disclosure and Transparency Rules and/or pursuant to the Takeover Code of the following material interests of 3% or more in its share capital:

	Number of shares	Proportion of share capital	Number of voting rights		Proportion of voting rights
			Direct	Indirect	
Frasers Group plc	30,945,748	35.62%	30,945,748	–	35.62%
Schroders plc.	16,399,128	18.97%	–	16,399,128	18.97%
FIL Ltd and FMR LLC	8,660,591	9.96%	–	8,660,591	9.96%
Janus Henderson Group	4,314,512	4.99%		4,314,512	4.99%
Lombard Odier Asset Management	4,173,672	4.80%	–	4,173,672	4.80%
Ennismore Fund Management	2,629,340	3.03%	–	2,629,340	3.03%

In the period since the year end up to and including 29 June 2021 Frasers Group has notified the Company that its shareholding has reduced to 27.14% and Schroders and Ennismore have notified the Company that their share interests have increased to 19.206% and 4.56% respectively.

Events since the period end

The Company entered into agreements with a newly-formed company controlled by Endless LLP on 16 April 2021 to sell Findel Education Limited for gross consideration of £30m, as set out in note 25 to the accounts.

The securitisation facility provided by HSBC to Studio Retail Limited was varied by mutual consent in 16 April 2021 to increase the potential level of drawings under that facility by a further £25m to £250m.

The Company entered into a new revolving credit facility on 26 April 2021 with a maximum limit of £50m, replacing its previous revolving credit facility.

Auditor

Mazars LLP has notified its willingness to continue to act as auditor to the Company and a resolution concerning their appointment will be proposed at the Annual General Meeting together with a resolution to authorise the directors to set the remuneration of the auditor. An analysis of audit and non-audit fees earned by the auditor during the year is set out in note 8 to the accounts.

Disclosure of information to the auditor

In the case of each of the persons who are directors of the Company at the date when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- each of the directors has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Annual General Meeting

Whilst the Board currently plans to hold the Annual General Meeting on Wednesday 22 September 2021 in a COVID-19 secure manner enabling physical attendance, the Government restrictions and guidance is constantly under review by the UK Government and is subject to a number of contingencies and there can be no guarantee that we will be able to meet as we intend. The Board will keep these developments under review and details of the arrangements will be set out in a Notice of AGM and Proxy Card which will be issued to shareholders by 30 July 2021. Any changes to the Annual General Meeting will be communicated to shareholders before the meeting through our website – www.studioretail.group/investor-centre/shareholder-centre and where appropriate, by RNS announcement.

Voting

Full details as to how to vote will be contained in the Notice of AGM and associated Form of Proxy to be issued to shareholders by 30 July 2021.

By order of the Board

Mark Ashcroft
Secretary
29 June 2021

Nomination committee report

Nomination Committee members

- Ian Burke– Chair
- Clare Askem
- Greg Ball
- Francois Coumau
- Elaine O'Donnell

Governance

The Nomination Committee operates under written terms of reference which are available on the Company's website (www. studioretail.group). The Committee's principal duties are to review periodically the composition of the Board and to recommend suitable candidates for approval by the Board to fill executive and non-executive vacancies and to oversee succession plans and the development of talent pools across all levels of management within the Group.

During the year the Committee comprised the Chairman and the following independent non-executive directors, namely Greg Ball, Francois Coumau and Elaine O'Donnell. Clare Askem was appointed to the Committee on 14 August 2020.

The Committee met on four occasions during FY2021. As set out in the table of attendance on page 54 all members have a 100% attendance record for the year. The Committee plans to hold at least two scheduled meetings during FY22.

The Committee has reviewed and re-confirmed its policy that in normal circumstances non-executive directors would serve two terms of three years, with the potential to extend thereafter if circumstances warrant it, up to a maximum aggregate term of office of 9 years. The Committee has a schedule of succession measures to put this policy into effect.

The normal approach of the Committee in relation to Board appointments is to engage external recruitment specialists to carry out a search for appropriate candidates. Committee members meet a short list of candidates before discussing and agreeing a recommended candidate to the Board. Where there are appropriate internal candidates, they are included in the external assessment process.

During the year, the Committee reviewed its policy on Board diversity and inclusivity. The policy recognises that diversity (including but not restricted to gender and ethnicity) and inclusivity are important factors in ensuring that the profile of Board members provides the necessary range of perspectives and skill sets to ensure effective stewardship.

Board and Management Changes

During the year the Committee completed the implementation of its CEO succession plan with final proposals being made to and accepted by the Board for Paul Kendrick to take over as CEO on Phil Maudsley's retirement on 26 March 2021. This was the outcome from a structured development and succession plan implemented by the Board working with both Mr Maudsley and Mr Kendrick over the past two years. Mr Maudsley was fully involved with the transition during the second half of FY21.

The Committee also recommended to the Board that Clare Askem be appointed to the Nomination Committee as an additional member of that Committee and the Board confirmed that appointment on 14th August 2020. The Board has also accepted the recommendation of the Committee that Ms Askem be appointed to chair the Remuneration Committee upon the retirement of Francois Coumau at the conclusion of the 2021 annual general meeting. Ms O'Donnell has indicated that she does not intend to stand for re-election at the 2021 AGM having served her initial term of 3 years and the Committee expects to make an appointment of a replacement non-executive director with sufficient expertise and experience to take over the chair of the Audit Committee which will be vacated by her. An announcement will be made in due course.

Mr Ball will complete his second term of 3 years at the 2022 annual general meeting. Mr Ball is our Senior Independent Director and chairs the Risk Committee. He also brings to the Board the benefit, amongst other things, of a deep understanding of regulated consumer finance. In all the circumstances the Committee has recommended to the Board that Mr Ball's tenure be extended beyond the 2022 annual general meeting and the Board is minded to accept that recommendation. This will be formalised following the 2021 annual general meeting, assuming that Mr Ball's re-appointment is approved by shareholders at that meeting.

The Committee has also considered the retirement of the Company Secretary, which is planned for later in FY22, and is working through a process to identify an appropriate replacement. Recommendations will be made to the Board in due course.

Succession and Talent Management

The Committee has also continued its review of development and succession planning for directors and senior executives and has challenged management to develop more structured processes for the development of senior executives immediately below Board level (and their direct reports) and for the development of wider talent pools at all levels of management within the group.

The Committee also discussed with management its expectations that further steps be taken to increase the diversity and inclusivity of the senior executive management teams below board level.

Annual Review of Board Effectiveness

With two non-executive directors retiring from the Board at the conclusion of the 2021 AGM the Committee has considered the overall size and balance of skills of the continuing directors and expects to announce the appointment of at least one additional non-executive director in due course, who will have the expertise and experience to chair the Audit Committee. The Committee is also considering additional steps to further extend its diversity and inclusivity.

Proposals for re-election of directors

The Committee has used the output from the annual reviews of Board effectiveness to review the performance and commitment of each of the continuing directors, all of whom will be proposed for re-election at the 2021 AGM. On the advice of the Committee the Board will recommend those re-elections to shareholders. Further details can be found in the personal biographies on pages 50 and 51 and in the Directors Report on pages 57 to 61.

Ian Burke

Chairman of the
Nomination Committee
29 June 2021

Audit Committee Report

Audit Committee members

Elaine O'Donnell – Chair

Clare Askem

Greg Ball

On behalf of the Committee, I am pleased to present this year's Audit Committee Report, which provides an overview of how we, as a Committee, have discharged our responsibilities, setting out the significant issues we have reviewed and concluded on in the year.

This report focusses mainly on:
– Committee governance;
– The key risks facing the business;
– Our focus since the last annual report, including the impact of the Covid-19 pandemic on the business;
– Internal controls; and
– The operation of the internal and external audit functions.

Committee Governance

The Audit Committee operates under written terms of reference, which were reviewed during the year and are available on the company's website (www.studioretail.group).

Throughout the year the Committee was comprised of three independent non-executive directors; Greg Ball, Clare Askem and me. Brief biographical details of the Committee members, including their expertise and experience, are set out on pages 50 and 51 and the number of meetings and attendance are set out on page 54. The executive directors, the chairman of the board and the Director of Audit & Assurance attended each meeting by invitation. Divisional executives were also invited to meetings during the year in relation to some of the specific matters under review listed below. The external auditor also attended all relevant meetings.

The Committee has not used its powers to engage external advisers other than those appointed in conjunction with management in the year under review. Private meetings are held at least twice a year with the external auditor and with the Director of Audit & Assurance. In these meetings the Committee probed the efficiency and effectiveness of the internal and external audit, including the co-operation received by the auditor, recommendations for improvements to processes and timeliness of addressing control and process recommendations.

The Committee's agenda is linked to events in the company's financial calendar and its assessment of key business risk as well as other matters for review recommended by the Board, the Risk Committee and the Remuneration Committee in their meetings. The effectiveness of the Committee is assessed as part of the annual Board and Committee effectiveness review, further detail on which is contained in the report on corporate governance on page 54.

Our focus since the last annual report – accounting and audit

The most significant matters relating to the annual accounts considered were:

a. Recoverability of trade receivables in Studio, particularly in light of Covid-19;
b. The valuation of the pension scheme surplus;
c. Appropriate disclosure of discontinued operations (and carrying value of the disposal group);
d. Going Concern and the Viability Statement, particularly in light of Covid-19
e. Brexit and its potential effects on other key judgements;
f. Capitalisation of labour costs in software development;
g. Classification and presentation of intangibles
h. Carrying amount of inventories, particularly in light of Covid-19; and
i. Appropriate disclosure of Alternative Performance Measures.

The Committee received a paper from the Group CFO supporting his judgements in each of these areas and another report from the external auditor setting out their opinions and subjective assessments of the key judgements made by management. The Committee challenged the robustness of these proposals. In all cases, the Committee was guided by the overriding mantras of "fair, balanced and understandable" and "true and fair view".

The particular challenges by the Committee in relation to the matters listed above were:

a. **Receivables provisioning** – Following the lock-down in March 2020 and the consequential deterioration in both the economic forecasts used to determine the future expected level of customer defaults and anticipated recovery rates, additional judgement was required alongside additional disclosures in the FY20 accounts. As further information became available during the year, the Committee challenged the ongoing judgements on provisioning levels and whether any separable disclosures were required this year given the temporary regulatory and government support for customers affected by the pandemic and the need for adjustments to the output from the business's forecasting model. Were appropriate sensitivities and disclosures around these key judgements made?

   The Committee received satisfactory responses to all these challenges.

b. **Discontinued operations** – The status of Findel Education and classification under IFRS 5 changed during the year due to the abandonment of the proposed sale to YPO and the later sale to Endless LLP, noting that the latter sale had not completed at the period end. The Committee therefore challenged whether the classification of Education's assets and liabilities as held for sale in the current but not in the prior year, and the separate presentation of income statement results as discontinued operations was appropriate. Were the IFRS 5 disclosures relating to Education appropriate? Was the carrying value of disposal group appropriately tested for impairment with appropriate disclosures? The Committee received satisfactory responses to its challenges.

c. **Going Concern and Viability Statement** – in light of the continued uncertainties caused by Covid-19, the Committee challenged whether the Group could withstand various downside sensitivities to its central estimates and remain a going concern. We also challenged the choice of three years as the period over which to assess viability and examined the extent of contingency built into the second and third years of the forward projections, the key risks or threats to the Group's viability and the amount of disclosure proposed around the key risks. The Committee was satisfied with the responses received.

d. **Brexit** – had the Company undertaken an assessment of the potential risks associated with Brexit and the impact that those risks could have on other key areas of judgement, such as going concern, impairment of receivables and recoverability of intangible assets? Were adequate disclosures made in the Strategic Report about these risks and judgements? The Committee was satisfied with the responses to its challenges.

e. **Capitalisation of labour costs** – were the labour costs associated with the development of tangible and intangible assets appropriate per IAS 16? Was the process for recording individual's time and costs to specific projects suitable to ensure compliance with the company's accounting policies? The Committee was satisfied with the responses to its challenges.

f. **Classification of intangible assets** – it was identified during the audit process that the previous year's accounts had classified much of its software assets as Property, Plant & Equipment rather than within Intangible Assets. The Committee challenged why this misclassification had not been identified up to now and whether the disclosures within this year's accounts to explain the change were appropriate. The Committee was satisfied with the responses to its challenges.

g. **Stock provisioning** – were the stock provisions adequate given the changes in purchasing patterns caused by the pandemic? Had changes to the market for stock disposals affected recovery rates for obsolete stock? Was the overall increase in the stock provision rate this year excessively cautious? The Committee was satisfied with the responses to its challenges.

h. **Recognition of pension surplus** – The Committee challenged whether it was appropriate to recognise the defined benefit pension surplus on the consolidated and Company balance sheets by reference to the requirements of IFRIC 14. The Committee was satisfied with management's assessment.

Audit Committee Report continued

i. **Alternative performance measures ("APMs")** – In the prior year, the combination of discontinued operations, new accounting standards affecting the presentation of leases, and individually significant items meant that additional APMs were used by management in the Annual Report and Accounts. In the current year, it was noted that these APMs required a further update since the requirements of IFRS 16 were now applied in both periods and Education was not run as a core component of the Group in the current year, owing to its being involved in two disposal processes. The Committee challenged whether these revised APMs were appropriate to ensure a fair, balanced and understandable presentation to the reader of the accounts. Were adequate reconciliations to GAAP measures provided with suitable explanations? The Committee received satisfactory responses to those challenges.

The Committee also considered:

a. at the planning stage of the audit, how the auditor defined and applied materiality in their audit. The Committee was satisfied with the responses.
b. towards the conclusion of the audit, the materiality of adjusted and unadjusted errors as reported by the external auditor to the Committee; and
c. the appropriateness of management's key judgments and estimates – how consistent were the judgements and estimates with the equivalent judgements and estimates the previous year? Were the key judgements and assessments consistent with the board discussions of the businesses' performance throughout the year and with the conclusions of the board's annual strategic review? The Committee was satisfied on each of these points.

In reviewing the annual report on behalf of the Board and making recommendations that were adopted by the Board in relation to the overall "fair, balanced and understandable" test, the Committee considered the report in the light of the tone and content of papers presented to the Board over the year by the Chairman, Director of Audit & Assurance, business heads and the Group CFO, and assessed the balance of positive and negative comments on each business in the light of the business's performance for the year.

Our focus since the last annual report – internal control

The Committee has responsibility for the regular review of the Group's system of internal control and its effectiveness and reports its findings to the Board. It is the role of management to implement the Board's policies on risk and control through the design and effective operation of appropriate internal control systems. Operating management is charged with the ongoing responsibility for identifying risks facing each of the operating units and for putting in place procedures to mitigate, manage and monitor risks. The system of internal control is designed to manage rather than eliminate the risk of failing to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

Management operates a 'three lines of defence' approach, where the first line of defence is in the management of the business units, who are responsible for ensuring that a robust risk and control environment is established as part of their daily operations. This year saw the strengthening of the first line of defence through the recruitment of a specialist Business Risk & Controls team (BR&C). The team comprises of seven risk management professionals who support, coach and provide assurance over the first line's ability to identify and manage risk effectively. The second line of defence is provided by the oversight functions, setting policies, procedures, and compliance and governance frameworks. The third line of defence is the internal and external auditor who offer independent challenge to the levels of assurance provided by the business operations and oversight functions.

In the year since the last annual report, the committee has also monitored and challenged the group's system of internal controls via the following activities:

a. A Peer Review over the effectiveness of how Internal Audit performed during FY20 was undertaken. This review assessed whether the function was appropriately established over the key five areas of its remit (Environment, Right Quality, Right Coverage, Right Outcomes and Right Resource). The subsequent improvements made in response to the report have been validated and the function has been scored as mature or higher across all five areas;
b. The Committee oversaw the handover of the Risk Management Framework Improvement Plan into the first line. Following the successful handover of the BR&C team into the business, their focus has switched to further strengthen the second line function. The Head of Enterprise Risk joined the business in the latter half of the year and recruitment is underway for a dedicated Head of Compliance. The successful recruitment of the two teams supporting these roles will form the final building blocks on

which to grow and mature our risk centric culture.

c. The Committee monitored the delivery of training given to the business to establish responsibilities in relation to the Senior Managers and Certification Regime, supporting Studio's continued compliance and transition from Project into "business as usual";
d. The Committee tracked the ability of the business to balance the competing demands of remedying Internal Control Actions, Risk Mitigation and Transformation activity, and the appropriateness of agreed timescales in respect of this.

The Committee used the experience and expertise of its members to meet with management outside of Committee meetings to ensure that their experience was available to management. In relation to all of these matters the Committee also had presentations from the Studio management team, at which plans were reviewed and challenged. The Committee noted that progress has been made, although the pace of the digital transformation of the Group in recent years, alongside the intrinsic challenges of the pandemic and remote working mean that a greater emphasis on the oversight of key controls is required going forwards.

The Committee oversees the adequacy of the Group's whistleblowing arrangements, ensuring that they are proportionate for the Group and enable staff and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee considered the effectiveness of the relaunch communications approach and the enhancements made to ensure that the Whistleblowing arrangements met best practise as recommended by the Financial Conduct Authority.

The Chairman of the Committee also received her annual report on the service by the independent external service provider and no issues were raised.

The Committee has conducted its annual review of the effectiveness of the Group's system of internal control.

External auditor

As reported last year, the Committee undertook a tender process for the external auditor in 2020 which led to Mazars LLP being proposed as the Group's auditor in place of KPMG LLP who had undertaken the role for the previous ten years. The proposal was approved by shareholders at the 2020 Annual General Meeting.

A formal transition process between the two firms, along with a comprehensive induction process, was completed satisfactorily ahead of the Interim Results in December 2020.

As always, the Committee reviewed the independence of the external auditor and the safeguards that they have in place, including the extent of non-audit services, to avoid such independence and objectivity being compromised. The Group's policy on the provision by the external auditor of audit and non-audit services is based on the principle that the external auditor should not also provide non-audit services unless exceptional circumstances convince the Committee to make an exception to the policy. The review of the Group's Interim Results by the auditor is regarded as an acceptable non-audit service. The policy is reviewed annually by the Audit Committee and approved by the Board.

The detailed disclosure of the fees payable to both Mazars LLP and KPMG LLP for both audit and non-audit services performed during the year is set out in note 8 to the consolidated financial statements and reflects the Committee's recommendation that greater explanation be provided than is required by law. Beyond the review of the Interim Results, no other services were provided by either firm during the year. The Committee was therefore satisfied with the level of fees, independence, objectivity and effectiveness of both the outgoing and incoming auditors.

The Committee reviewed the effectiveness of the external audit of the FY20 financial statements by discussing the audit separately with the executive directors and senior finance officers, the company secretary and the outgoing external auditor, with appropriate recommendations being made to the incoming auditor. A review of the effectiveness of the FY21 audit will be carried out following the issue of this annual report.

Internal audit

The role of internal audit combines an in-house internal audit department together with an appropriate level of co-sourcing of specialised internal audit services in the areas of financial services and IT. The Director of Audit & Assurance holds discussions with the chair of the Committee at least four times each year and has direct access to her at any time.

The Committee approved the internal audit programme for the FY22 financial year, including the limited use of independent third parties.

Elaine O'Donnell
Chair of the Audit Committee
29 June 2021

Remuneration committee report

Remuneration Committee members

Francois Coumau – Chair
Greg Ball
Elaine O'Donnell

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 26 March 2021.

This report is divided into three parts: this letter providing a summary of key information, a detailed Director's Remuneration Policy Report that sets out the Policy approved at last year's AGM, and an Annual Report on Remuneration which sets out how the remuneration policy will be applied over the year ending 25 March 2022 ("FY22") and how it was implemented over the year ended 26 March 2021 ("FY21").

Our approach to remuneration is governed by our directors' remuneration policy which received binding shareholder approval at last year's AGM, with over 97% of votes cast in favour. The remuneration framework consists of a base salary, modest benefits and pension provision, and annual and long-term incentive arrangements designed to provide a simple, performance-based package that supports sustainable value creation for our shareholders. The Committee believes that the policy continues to serve the Company and its shareholders well, and therefore it is intended that the policy will remain in place until the 2023 AGM.

Performance and remuneration for 2020/21

FY21 was an eventful year. Against the backdrop of an unprecedented health crisis and significant economic uncertainty we took swift action to protect our colleagues and continue to serve our customers whilst making further progress on our strategic objective to transition Studio to a digital value retail business. The Company has also undertaken a strategic review, culminating in the sale of the Findel Education Limited ('FEL') business. The strong trading performance of the continuing business demonstrates the success of the online value retail and integrated financial services offer which has been enhanced over the last few years through the digital transformation and data analytics programme. During the course of the last 12 months the Board and Management have responded to the need to protect our employees by putting in place social distancing and furloughing vulnerable employees at our own cost. During this period we have continued to serve our customers and generated strong returns for our investors without reliance on government or external support (a small amount was claimed under the Government furlough scheme for Findel Education but was repaid before the year-end) and did not make any employees redundant as a result of the Covid-19 pandemic. In making its assessment of performance against annual bonus plan objectives, the Committee noted that the Group's financial performance represented growth in revenue from continuing operations of 33%, and adjusted profit before tax growth of 79%. The Committee gave careful consideration to the formulaic outturn of the annual bonus in the context of overall business performance and wider economic considerations. The Committee also considered whether the results were artificially boosted by the pandemic and concluded that, whilst it may have accelerated the shift to online shopping, the growth reflected the Group's ability to execute the company's strategy. The encouraging start of our current financial year against last year's challenging comparator supports this conclusion.

The Committee also noted the comprehensive response of management to the Covid-19 pandemic, ensuring the continued wellbeing of colleagues and other stakeholders in the arrangements maintained, constantly reviewed and adapted throughout the period. The Committee therefore concluded that the outturn is appropriate in that context and reflects the strong performance of the Group. As a result bonuses of 92.5%, 89% and 95% of salary have been awarded to the Chief Executive, Chief Financial Officer and MD, Studio respectively based on the Group's performance and the achievement of their individual objectives. Further details can be found on page 74. In accordance with the policy, 25% of the bonus paid to the Chief Financial Officer and MD, Studio (after settlement of any tax or withholdings) will be held as shares which must be held for three years. In line with our policy for departing directors, and as disclosed last year, the Chief Executive bonus will be paid wholly in cash.

With regards to our longer-term performance, the FY18 Performance Share Plan ("PSP") awards which were granted in June 2018 were subject to absolute share price appreciation and adjusted EPS targets. The share price over the period grew by 9.4%p.a. and as a result, vesting against absolute share price targets was 40.1% of maximum for the TSR element. Adjusted EPS grew by 22.3% p.a. over the performance period, and as a result, vesting was 100% of maximum for the EPS element. In assessing the result of this performance condition, the Committee exercised its discretion to ensure that any adjustments made in the calculation of EPS were appropriate in light of changes in accounting standards and group accounting policies since the targets were set, which is consistent with the approach taken for the FY17 awards. The overall outcome was 70.1% of maximum. Full details of the adjustments made can be found on pages 85 to 89. For Phil Maudsley, the awards will be pro-rated for the vesting period worked.

Changes to the Board

Phil Maudsley retired following more than 30 years of service with the Company on 26 March 2021. During the year under review, he continued to receive base salary, pension and benefits. He was eligible for an annual bonus for the financial year and, as set out above, was awarded at 92.5% of salary. Reflecting his retirement, tenure and leadership, the Board has determined to grant good leaver status, with his outstanding PSP awards remaining eligible to vest on the normal schedule subject to the performance conditions being achieved over the original performance period, with time pro-rating applied. The Company's policy on post cessation shareholding will also apply. The details of his leaving arrangements can be found on page 91.

Paul Kendrick assumed the role of Chief Executive on 26 March 2021. His base salary was set at £405,000 p.a. He will receive benefits and a pension contribution of 6.5% of base salary, which is in line with that for the wider workforce. Further details of implementation for FY22 can be found in the section below.

Implementation of remuneration policy for 2021/22

The remuneration package for our executive directors is made up of base salary, plus pension contributions and benefits, and, subject to stretching performance conditions, an annual bonus delivered in a mix of cash and shares, and awards of shares under the PSP subject to stretching performance conditions. Within this framework we will be taking the following approach to the implementation of the remuneration policy for the year ending 25 March 2022:

- **Salary** – There will be no salary increase for executive directors on 1 August 2021, with Paul Kendrick's salary set on appointment as outlined above. This compares to an average workforce increase of 1%.
- **Bonus** – Given the economic climate and volatility in FY21, the Committee did not implement the increase in bonus opportunity approved by shareholders last year but did introduce deferral of 25% of the FY21 bonus in shares. Having considered carefully the performance of the Group and the need to appropriately incentivise the executive team, the Committee intends to implement the increase from 100% to 125% of salary in FY22. 25% of any bonus paid (after settlement of any tax or withholdings) will be taken in shares which must be held for three years. The majority of the FY22 bonus scheme will be subject to financial performance conditions which will be based on the achievement of targeted levels of Adjusted Profit Before Tax (60% of the opportunity) and revenue growth (15% of the opportunity). A further 25% will be based on corporate strategic and personal objectives. Any pay-out under the bonus (including for the personal performance element) will be subject to Adjusted PBT being above the threshold target and there being no material incidence of bad behaviour in relation to Treating Customers Fairly during the year.

Remuneration committee report continued

- **PSP** – It is intended that the executive directors will receive PSP awards of 125% of salary in FY22. As in FY21, the 2021 PSP awards will be subject to performance conditions measured over a period of three years with two thirds based on EPS targets and one third based on absolute total shareholder return (TSR) targets.
- **Pension** – Paul Kendrick's pension was aligned with the workforce on his appointment as a director. In Stuart Caldwell's case the Committee is committed to reducing the legacy arrangements so that they are in line with workforce (currently 6.5% of salary). It is intended that his pension will be reduced from 15% to 12% by the end of the current financial year and will reduce further to 6.5% of salary by the end of the year ending in March 2023.

The Board is satisfied that the proposed policy continues to provide a good balance between potential rewards to executive directors on the one hand, and, on the other, measures and targets which are appropriately stretching and that are aligned with the delivery of the overall long-term success of the Company. Other than in relation to the adjustments to the determination of the FY18 Performance Share Plan EPS targets and the determination of Mr Maudsley's good leaver status under the share plan rules, no discretion was exercised by the Committee during the year.

On behalf of the Board, I would like to thank shareholders for their continued backing and look forward to your support for our remuneration report at the 2021 AGM.

Francois Coumau
Chairman of the Remuneration Committee
29 June 2021

Remuneration policy report

Introduction

This report has been prepared in accordance with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2013 (as amended) (the 'Regulations'). The report also meets the relevant requirements of the Listing Rules of the Financial Conduct Authority and describes how the Board has applied the principles of good governance relating to directors' remuneration.

This policy report was subject to a binding vote at the 2020 AGM and was effective from that date. The policy will run until the 2023 AGM, unless a further policy is submitted for shareholder approval prior to that meeting. The policy is shown here for reference. Minimal changes have been made to reflect the policy's approval, reflect the passing of time and provide further transparency as to how the policy reflects the requirements of the UK Corporate Governance Code ("the Code"). The shareholder approved policy is included in our 2019/20 Directors' Remuneration Report and can be accessed from our website at www.studioretail.group.

The Annual Report on Remuneration, along with the Annual Statement from the Committee Chairman, will be put to a single advisory vote at the 2021 AGM. The regulations require the auditor to report to the Company's members on the 'auditable parts' of the directors' remuneration report and to state whether, in their opinion, the parts of the report that have been subject to audit have been properly prepared in accordance with the relevant legislation. The parts of this report which have been audited have been highlighted accordingly.

Policy on Remuneration of executive directors

The key objectives of the remuneration policy for executive directors are to:

- support our overall vision to become the UK's leading digital value retailer, and for the business to broadly double in size from where it is today and achieve total revenue of £1bn in the next few years;
- strive to make more affordable, and make more possible for our customers in the most sustainable and responsible way whilst maintaining our value proposition; and
- to do this in line with the principles set out in Provision 41 of the Code.

Remuneration policy report continued

This is achieved by:

Principle	How addressed
Clarity, simplicity and predictability	We operate simple, transparent incentive structures which allows clear understanding by executives and external stakeholders, with a clear aim to reward for long-term shareholder value creation. We seek to ensure that annual salary increases and changes to the operation of plans are clearly disclosed and that the potential value of each year's remuneration is also clearly disclosed through the use of charts.
Risk	The Committee endeavours to structure remuneration for executive directors and senior executives so that it should not raise environmental, social or governance (ESG) risks by inadvertently motivating irresponsible behaviour and that it should reward sustainable, long-term, performance and sound risk management. Accordingly, risk is taken account of by the Committee in the targets that are set and the operation of underpins focussed on customer outcomes, malus and clawback, and requirements for executives to hold shares both in and after employment are operated. The remuneration policy is also reviewed regularly and the Committee is satisfied that the current policy does not encourage undue risk taking (e.g. due to the range of performance metrics used in incentive plans and the substantial weighting towards long-term performance) and that it is not in conflict with the company's policies on internal controls that are used to manage risk more generally.
Proportionality	We seek to provide a competitive remuneration package which will attract and retain the highest calibre of executive and structure their packages so that a significant proportion is performance related and does not reward poor performance. When assessing performance, the Committee retains discretion to alter the outturn from incentive arrangements to better reflect performance or any other circumstances if it feels it is appropriate to do so.
Alignment to culture	We set executive pay packages having had due regard to pay and employment conditions in the wider workforce and so that they do not drive behaviours that are not consistent with the company strategy and values, and are properly aligned with personal performance, the performance of the Group, and the interests of shareholders. The Committee takes due account of remuneration structures elsewhere in the Group when setting pay for the executive directors (for example, consideration is given to the overall salary increase budget).

In forming this policy, the Committee has taken into account the 2018 UK Corporate Governance Code ('the Code') together with guidance from the FCA, institutional investors and investor bodies (including Glass Lewis, ISS and the Investment Association).

Policy table

Purpose and link to strategy	Operation	Maximum	Performance metrics
Base salary			
To attract and retain high calibre executives.	Normally reviewed on an annual basis with increases effective from 1 August. Takes into account: • pay levels in companies of comparable size and complexity, and the skills, knowledge and experience of the individual; • individual performance and development within the role; • any change in responsibilities; • rates of inflation and market wide wage increases in comparable companies; and • pay and employment conditions elsewhere in the Group.	Salary levels are normally reviewed annually and are eligible for increases during the three-year policy period. While no maximum applies, the Committee will be guided by the salary increase budget (in percentage of salary terms) set across the workforce generally. Increases beyond those linked to the workforce (in percentage of salary terms) may be awarded in certain circumstances such as where there is a change in responsibility, experience or a significant sustained increase in the scale of the role and/or size, value and/or complexity of the Group or where salary levels have become out of line with market rates for fulfilling similar roles in companies of comparable size and complexity.	A broad assessment of individual and corporate performance is considered as part of the annual review process.
Pension			
To provide market competitive long-term retirement benefits and reward mechanisms.	Pension benefits are typically provided either through a contribution to a personal pension arrangement or a cash supplement in lieu of pension provision or a mix of both. Only basic salary is pensionable.	The Company's policy, other than in the case of legacy arrangements, is to limit pension contributions to 15% of salary, reducing to the level of the workforce by 2022/23. For Paul Kendrick and new directors, a pension contribution in line with the workforce (currently 6.5% of salary) may be made.	None.
Benefits			
To provide cost effective employee benefits.	Benefits include a company car or car allowance, fuel, private medical insurance, home telephone costs and participation in any all employee share incentive plan adopted by the Company. The Committee may elect to offer executive directors other employee benefits on broadly similar terms as other employees. In the event that an executive director is required to relocate, reasonable expenses or an allowance may be payable. Any reasonable business-related expenses can be reimbursed, including tax thereon.	The value of insured benefits may vary year-on-year based on the cost of providing the insured benefit and is included in the single total figure table. Any all-employee share incentive will be operated within the limits set by HMRC from time to time.	None.

Remuneration policy report continued

Purpose and link to strategy	Operation	Maximum	Performance metrics
Performance-related bonus			
To incentivise and reward for the achievement of short-term targets linked to the company's annual KPIs.	A bonus is paid based on the achievement of performance conditions set at the beginning of the financial year. Annual bonuses will normally be paid part in cash and part in shares. At least 25% of any bonus paid will normally be delivered in shares which (other than for any sales to pay tax or statutory deductions) must be held for 3 years. Participants may be entitled to dividend equivalents in respect of vested shares. Clawback provisions enable the Committee to reclaim any bonus paid (as cash or shares) as a result of performance that is later the subject of a restatement of the Company's results within a three-year period, an error, serious reputational damage, corporate failure or gross misconduct.	Bonus opportunity of up to 125% of salary.	Annual bonus will be earned based on performance against metrics linked to the Company's strategy, key performance indicators and other operational goals. A majority of annual bonus will be earned against a challenging graduated scale of financial targets (e.g. profit) with the targets set with reference to the Company's planning for the year. A minority of the bonus may be based upon the achievement of a number of key business objectives tailored to the individual executive (e.g. personal targets, strategic objectives or business unit objectives). For achieving the threshold performance targets, typically no more than 20% of the maximum bonus opportunity is payable. Maximum payment can only be earned as a result of performance above the Company's business plan for the year with a graduated scale operating between threshold and maximum performance levels. The Committee will review the bonus outcome to ensure that it reflects underlying Company performance over the year. The Committee may amend the pay-out to better reflect performance or any other circumstances if it feels it is appropriate to do so.

Purpose and link to strategy	Operation	Maximum	Performance metrics
Performance Share Plan (PSP)			
To incentivise and reward for the achievement of long-term targets which support the business strategy. Aligns executives' interests with those of shareholders.	Annual grant of share-based awards which are subject to performance conditions and normally vest three years from grant. A holding period applies which requires all vested shares (net of tax) to be held by the executive for a period of two years. Participants may be entitled to dividend equivalents in respect of vested shares. Clawback provisions enable the Committee to reclaim any amount paid as a result of performance that is later the subject of a restatement of the Company's results within a three-year period, an error, serious reputational damage, corporate failure or gross misconduct.	PSP grants of up to 125% of salary (or 200% of salary in exceptional circumstances such as recruitment).	PSP awards vest subject to the achievement of performance conditions linked to Company strategy. The current performance conditions are based on absolute TSR and EPS growth targets. If alternative measures are introduced in conjunction with or in place of EPS and TSR, this would be subject to prior consultation with major investors. Up to 20% of an award may vest for threshold performance with full vesting taking place for equalling, or exceeding, the maximum performance targets. The Committee will review the vesting outcome to ensure that it reflects underlying Company performance over the performance period. The Committee may amend the pay-out to better reflect performance or any other circumstances if it feels it is appropriate to do so.
Share ownership guidelines			
To provide a continued focus on long-term sustainable value creation and to further align executives' and shareholders' interests.	**In-post requirements** Executive directors are expected to retain no fewer than 50% of any shares delivered under the PSP net of taxes until such time as their target share ownership guideline has been achieved. **Post-cessation requirement** For shares acquired from vested PSPs granted from 2020 onwards, leavers will be expected to retain shares at a level equal to the lesser of half their in-post requirement or the actual shareholding on departure for two years post-cessation of employment. Any shares purchased by an Executive will not count towards the requirement.	**In-post requirements** The share ownership guideline is currently set at 150% of salary, built up over a 5-year period, for directors and this shall be kept under review over the life of the policy. **Post-cessation requirement** 75% of salary (or the actual shareholding if lower) on departure for two years.	None.

Remuneration policy report continued

Purpose and link to strategy	Operation	Maximum	Performance metrics
Non-Executive Directors' Fees			
To attract and retain individuals with relevant experience and knowledge to enhance the Board.	The Committee is responsible for setting the Company Chairman's fee. The Chairman receives a single consolidated fee, paid in cash, encompassing all his responsibilities. The Board as a whole (excluding the non-executive directors) is responsible for setting the level of remuneration for non-executive directors. Non-executives' fees are paid in cash and comprise a base fee and additional fees for chairing Board committees or holding the senior independent director role or other similar roles. Fee levels are reviewed periodically and take into account: • skills, knowledge and experience of the individual; • the expected time commitments, scope and responsibilities of each role; and • market rates at companies of a comparable size and complexity. Non-executive directors are excluded from any discussions relating to their own fees. Any reasonable business-related expenses can be reimbursed, and hospitality/travel or other benefits linked to performance of the role may also be met by the Company including any tax thereon.	The current fee levels may be increased during the three-year period that the remuneration policy operates to ensure they continue to appropriately recognise the time commitment of the role, increases to fee levels for • non-executive directors in general and fee levels in companies of a similar size and complexity. • non-executives are not eligible to participate in any incentive arrangements.	None.

Operation of the Annual Bonus Plan & LTIP Policy

The Committee will operate the annual bonus plan and PSP according to their respective rules and in accordance with the Listing Rules and HMRC rules where relevant. The Committee retains discretion, consistent with market practice, in a number of regards to the operation and administration of these plans. For example, these include the following (albeit with quantum and performance targets restricted to the descriptions detailed in the policy table above):

- Participants of the plans;
- The timing of grant of award and/or payment;
- The size of an award and/or a payment;
- The determination of vesting, including discretion to override formulaic outcomes;
- Discretion required when dealing with a change of control (e.g. the timing of testing performance targets and basis of measurement) or restructuring of the Group;
- Determination of a good/bad leaver for incentive plan purposes based on the rules of each plan and the appropriate treatment chosen;
- Whether malus and/or clawback shall be applied to any award and, if so, the extent to which they shall apply;
- Adjustments required in certain circumstances (e.g. rights issues, corporate restructuring, events and special dividends); and
- The annual review of performance measures weighting, and targets for the annual bonus plan and Performance Share Plan from year to year.

The Committee also retains the ability to adjust the targets (up or down) and/or set different measures and alter weightings for the annual bonus plan and to adjust targets for the bonus or PSP if events occur (e.g. material divestment of a Group business or events relating to the Company's issued share capital) which cause it to determine that the conditions are no longer appropriate in the circumstances and the amendment is required so that the conditions achieve their original purpose and are not, in the opinion of the Committee, materially more or less challenging to satisfy in the circumstances.

All historic PSP awards that were granted but remain outstanding (detailed on page 90 of the Annual Report on Remuneration) remain eligible to vest based on their original award terms.

Choice of performance measures and approach to target setting

The performance metrics that are used for annual bonus and long-term incentive plan are a subset of the Group's key performance indicators.

Under the annual bonus plan, reflecting the Company's focus on delivering profitable growth and generating cash in its businesses, whilst operating within defined risk parameters the majority of bonus is normally subject to the achievement of challenging financial targets such as profit and free cash flow. For FY22, Adjusted Profit Before Tax, Revenue Growth and growth in active credit customers have been selected as these provide a balance between in year delivery of profit for shareholders, overall growth and laying the foundations for future profit growth. The remainder of the bonus will be based on non-financial and personal objectives reflecting individual areas of responsibility.

In addition to challenging financial targets, a minority of bonus may be set subject to business objectives tailored to each individual's role and responsibilities (e.g. individual targets are set to provide reward opportunity for delivering specific in-year objectives) the achievement of which will enable the Company to maintain or improve its upward trajectory in delivering against its business plans.

In terms of long-term performance targets, awards currently vest subject to (i) challenging EPS growth targets that are aligned with the long-term levels of earnings growth targeted by the Company and (ii) absolute TSR targets which provide clear alignment of interests between shareholders and executives in terms of delivering successful progress in the Group's businesses. Other measures which are aligned to the Company's medium to long term strategy may be introduced in future and will be subject to prior consultation with leading investors.

Remuneration policy report continued

Targets are generally set based on graduated scales that take account of internal planning and external market expectations for the Company. Only modest rewards are available for delivering threshold performance levels with maximum rewards requiring substantial out-performance of the challenging plans approved at the start of each year over one and up to three-year time periods.

How executive directors' remuneration policy relates to the wider Group

The remuneration policy described in the policy table provides an overview of the structure that operates for executive directors.

Outside the executive director population, different structures and incentive quantum apply that take due account of the Company's overall remuneration policy, the specific objectives of individual's roles and practice in companies of comparable size.

Base salaries for employees are set by reference to industry specific comparator groups. Consideration is given to the overall salary increase budget and general employment conditions, when setting executive director base salaries.

The performance-related bonus scheme operates with targets and quantum that are set by reference to individual role and responsibility. More emphasis on divisional performance and/or personal performance is included at less senior levels.

The PSP is offered on a discretionary annual basis to senior executives. Awards are limited to this grade of employees as they are anticipated as having the most potential to influence performance at a Group level. These awards are generally subject to the same performance conditions as detailed in the remuneration policy table.

How employees' views are taken into account

The Committee does not directly consult with employees on executive remuneration.

However, the Committee is provided with an overview of employee and executive remuneration structures at the Company. The Committee is kept up to date, more generally, with pay and employment conditions elsewhere in the Company and is informed of the salary increase budget for the Group as a whole when setting executive directors' pay increases (if any) each year. The relatively new role of the nominated NED for employee engagement (who is a member of the Remuneration Committee) is also a potential conduit for increased access to the views of colleagues on executive pay.

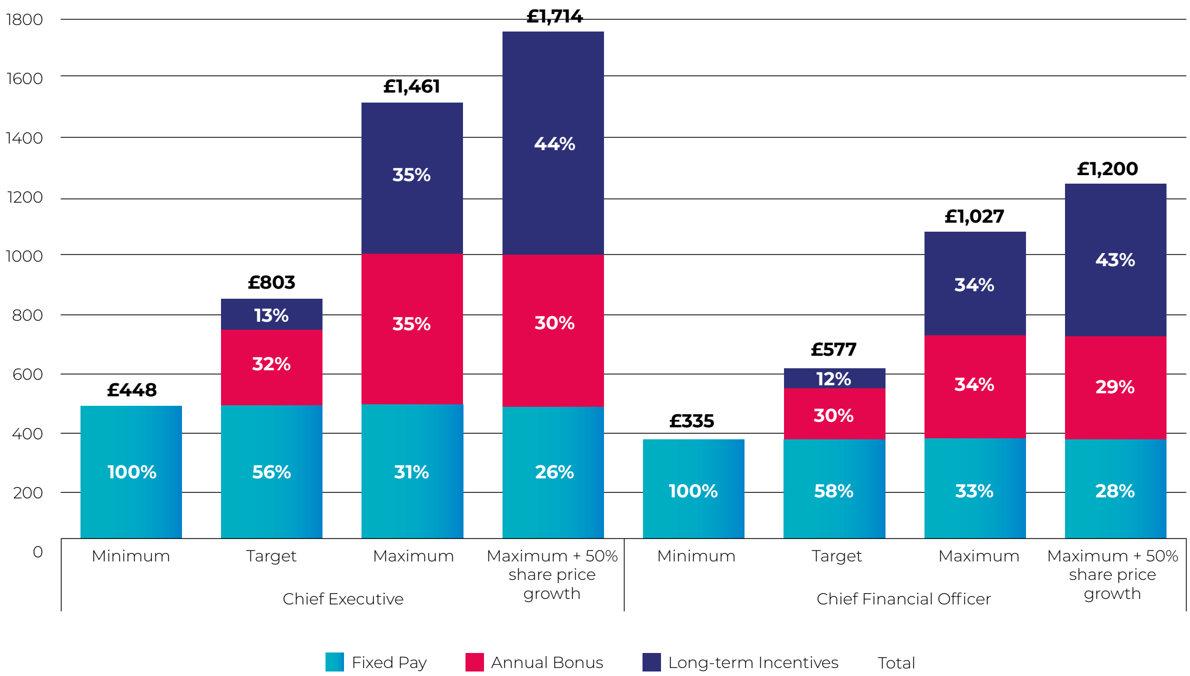
How shareholders views are taken into account

As a matter of course, after the AGM, the Committee will consider feedback from shareholders and this, plus any additional feedback received from time to time, is considered as part of the Committee's annual review of remuneration policy. The Committee also closely monitors developments in institutional investors' best practice expectations.

The Committee will also seek feedback from shareholders from time to time as part of a wider shareholder dialogue if considered appropriate. Indeed, the process surrounding the formulation of the new policy included a programme of engagement with the Company's largest institutional investors representing over 80% of the Company's issued shares and major investor bodies and proxy agencies in order to understand their views on the proposed approach. And during May and June 2021 the Chair of the Committee engaged with a similar range of investors and others regarding the intended implementation of that policy during FY22.

Illustration of application of policy

The Company's policy results in a significant portion of remuneration received by executive directors being dependent on Company performance. The graph below illustrates how the total pay opportunities for the Chief Executive and Chief Financial Officer vary under four different performance scenarios: below threshold, on-target, maximum and maximum including 50% share price growth. When reviewing the charts that follow, it should be noted that these have been prepared based on the policy detailed in the table above.



Assumptions

Below threshold – fixed pay only being FY22 base salary, the value of FY21 benefits and assumed FY22 pension contribution.

Target – fixed pay plus 50% of FY22 maximum bonus and 20% vesting of 2021 PSP award

Maximum – fixed pay plus 100% of FY22 maximum bonus and 100% vesting of 2021 PSP award

Maximum (plus 50% share price growth) – fixed pay plus 100% of FY22 maximum bonus and 100% vesting of 2021 PSP award with 50% share price growth

Remuneration policy report continued

Recruitment and Promotion Policy

For executive director recruitment and promotion situations the Committee will use the following guidelines:

Remuneration Element	Policy
Base Salary	Base salary levels will be set by reference to the experience of the individual, taking into account relevant market data and internal relativities. If a new recruit has a below market salary set on appointment, they may experience phased multi-period increases in excess of other executive directors (and the wider workforce) to bring them into line with the market as they develop in the role, subject to continued performance in post.
Benefits	Benefits as provided to current executive directors. Where necessary the Committee may approve the payment of relocation expenses to facilitate recruitment and flexibility is retained for the Company to pay for legal fees and other costs incurred by the individual in relation to their appointment.
Pension	A defined contribution or cash supplement limited to that of the workforce (currently 6.5% of salary).
Annual Bonus	The maximum ongoing incentive opportunity under the Company's policy is 125% of salary. The annual bonus will operate as outlined for current executives, with the respective maximum opportunity, albeit pro-rated for the period of employment. Dependent on the timing of the appointment and the nature of the role, it may be necessary to set different performance measures and targets for the first year of operation.
Long Term Incentives	PSP awards will be granted in line with the policy outlined for the current executive directors. An award may be made shortly after an appointment (subject to the Company not being in a prohibited period). The maximum ongoing annual award level is 125% of salary under the PSP but an award, in exceptional circumstances (as determined by the Committee), may be granted up to 200% of salary under the rules of the PSP. For an internal hire, existing awards would continue over their original vesting period and remain subject to their terms as at the date of grant.
Buy-out Awards	To facilitate an external hire, the Committee may be required to offer additional cash and/or share-based elements which includes the use of awards made under 9.4.2 of the Listing Rules. Any such payments would be made to compensate for remuneration forfeit when leaving a former employer or role and would take into account where possible, the type of remuneration forfeit, the time horizon to vesting and the impact of any performance conditions. The Committee will make an announcement to shareholders, detailing the remuneration arrangements, at the time of appointment.

Service Contracts & External Appointments

Executive directors

Future contract policy

It is the Committee's policy that service agreements for executive directors should be terminable on not more than 12 months' notice, which is in line with current market practice and will provide the Company with additional flexibility if it needed to recruit externally. Contractual notice periods for the current Executive Directors are 6 months from either party. Contracts will not include liquidated damages clauses guaranteeing a specified level of remuneration on termination. Contracts will, at the Company's discretion, enable the Company to make a payment in lieu of notice comprising up to 12 monthly instalments of base salary which would reduce to the extent that alternative employment was taken up.

New contracts will not provide enhanced protection in relation to contractual terms on a change of control.

General provisions

In certain circumstances such as gross misconduct, the Company may terminate employment immediately without notice or payment for each of the current or future executive directors. In the event of early termination of a service agreement, the Committee would consider appropriate use of mitigation and phased compensation payments where possible. In addition, any statutory entitlements or payments to settle or compromise claims in connection with a termination of any existing or future executive director would be made as necessary. The Committee also retains the discretion to meet any reasonable legal fees or outplacement costs if deemed necessary.

Unless the Committee determines otherwise, annual bonuses are not normally payable if an executive director has left or is under notice at the payment date. Any annual bonus payments would normally only be made to an executive director who has left or is under notice if the Committee determines him a 'good leaver' (e.g. death, injury or disability, redundancy, serious long term illness, transfer or sale of the employing company, retirement with the Company's agreement or other circumstances at the discretion of the Committee), in which case a bonus entitlement would be calculated based on the period of active employment and performance and normally paid wholly in cash.

The treatment for share-based incentives previously granted to an executive director will be determined based on the relevant plan rules. The default treatment will be for outstanding awards to lapse on cessation of employment.

However, in relation to awards granted under the share schemes, in certain prescribed 'good leaver' circumstances (e.g. death, injury or disability, redundancy, serious long-term illness, transfer or sale of the employing company, retirement with the Company's agreement or other circumstances at the discretion of the Committee) awards may remain eligible to vest. For PSP awards, these remain subject to performance conditions, which will be measured over the original performance period or up to the date of cessation, with time pro-rating applied unless the Committee considers it inappropriate to do so.

Outside appointments

The Company currently allows the executive directors to undertake outside interests and appointments, subject to the prior approval of the Board, in which instances they are allowed to retain any fees that they receive in respect of such activities.

Non-executive directors

The appointment of non-executive directors is for an initial period of three years, subject to review and re-election in General Meeting. They do not have service agreements. In the normal course non-executive directors will be asked to serve two terms of three years. The Board reserves to itself the discretion to extend terms beyond the two terms of three years, if the particular circumstances warrant it, up to a maximum aggregate term of 9 years.

Remuneration policy report continued

The service contracts for Chief Executive and letters of appointment for the Chairman and the non-executive directors are available for inspection at the Company's registered office during normal business hours and at the AGM (for 15 minutes prior to the meeting and during the meeting).

Annual Report on Remuneration

The regulations require the Auditor to report to the Company's members on the 'auditable parts' of the annual report on remuneration and to state whether, in their opinion, the parts of the report that have been subject to audit have been properly prepared in accordance with the relevant legislation. The parts of this report which have been audited have been highlighted accordingly.

Remuneration Committee

The remuneration of the executive directors and the Chairman is determined by the Committee. The members of the Committee during the year were all independent non-executive directors. Mr Coumau chaired the Committee. Mr Coumau, Mr Ball, Ms Askem and Ms O'Donnell were members of the Committee throughout the year. No member of the Committee has any personal financial interest, other than as a shareholder, in the matters to be decided, nor any potential conflict of interest arising from cross-directorships, nor any day-to-day involvement in running the business throughout the period. The Chairman of the Company and the Chief Executive normally attend meetings of the Committee by invitation except when matters concerning their own remuneration are discussed. The Committee is assisted when required by its advisors who are appointed by the Committee. During the year under review, the Committee received independent advice on executive remuneration from Aon plc and, following the move of the lead consultant, the Executive Compensation Services practice of Alvarez & Marsal ("A&M"). A&M is a member of the Remuneration Consultants Group and is a signatory to its Code of Conduct. No other services were provided to Studio Retail plc by A&M. Fees charged by A&M for advice provided to the Committee for FY202/21 amounted to £84,000 (excluding VAT). The Committee has reviewed the operating processes at A&M and is satisfied that the advice it receives is independent and objective.

The Company Secretary acts as the secretary to the Committee.

The Committee meets three or more times per year and met 7 times in FY21. Individual attendance details can be found within the Corporate Governance Report on page 54. The Committee's terms of reference are available on the Company's website (www.studioretail.group). During the year the key matters which were discussed were:

- The salary levels of the Executive Directors and fee level for the Chairman;
- The bonus out-turn for the FY20 annual bonuses;
- The terms of the FY21 annual bonus plan;
- The quantum and performance targets for the 2020/21 Performance Share Plan awards;
- Testing of the 2017 Performance Share Plan award's performance targets;
- Feedback from the consultation with investors and others regarding the Remuneration Policy and its implementation;
- Review of overall quantum of outturns from incentive plans in the context of performance;
- Cancellation of a one-off incentive plan for key executives of Findel Education upon the failure to complete the sale of the business to YPO;
- Approval of remuneration changes and the remuneration of new appointments of any employee within the remit of the Committee including the MD Studio appointment to the CEO;
- Approval of the leaving arrangements of any employee within the remit of the Committee, including the CEO;
- Consideration of the Company's Gender Pay Gap data and its impact on the Company;
- Consideration of the CEO Pay Ratio in the context of the wider remuneration policies of the Company;
- Remuneration structures for the wider workforce;

- Review of the annual leave policy;
- Review of the comparator group used for external benchmarking
- Review of the regulatory guidance on remuneration;
- Approval of the FY20 Directors' Remuneration Report;
- Initial design of the FY22 annual bonus plan and Performance Share Plan Award targets;
- The annual self-evaluation of the effectiveness of the Committee;
- The terms of reference of the Committee;
- The potential impact of the strategic review on remuneration in the business;
- The appointment of Alvarez & Marsal to advise the Committee; and
- Consideration of developments in market and best practice.

Shareholder Voting at the 2020 AGM

At last year's AGM, the Annual Report on Remuneration and the Directors' Remuneration Policy received the following votes from shareholders:

	Annual Report on Remuneration		Directors' Remuneration Policy	
Resolution	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For	77,919,228	100%	76,063,229	97.6%
Against	6,781	0%	1,888,812	2.4%
Total votes cast (for and against)	77,926,009	100%	77,952,041	100%
Withheld votes	68,826	N/A	42,794	N/A
Total votes (including withheld votes)	77,994,835	N/A	77,994,835	N/A

Engagement with shareholders

The Committee takes seriously the views of investors and considers feedback received as part of its annual review of the operation of the policy. During the year, the Committee has consulted with its principal shareholders and representative bodies on the changes being made to the implementation of the policy this year and has taken account of their views in finalising the changes to the LTIP awards.

Engagement with employees and consideration of their views

During the year Elaine O'Donnell, who is the current nominated NED, periodically reported to the Board on feedback from her series of engagement with employees. This has included virtual attendance at a number of "coffee and cake" sessions with groups of Studio Retail employees, virtual participation in a Q&A session at a group senior leaders event, reviews with divisional HR Directors of periodic colleague engagement surveys, and specific listening sessions to follow up on the engagement surveys.

In addition, the Remuneration Committee received twice yearly reports from management regarding remuneration, benefits and terms and conditions of employment across the Group and this has been taken into account by the Committee when considering executive remuneration matters including when considering the level of salary increases for Directors, introduction of new benefits arrangements (additional day's leave on employee birthdays) and the outturn of incentives.

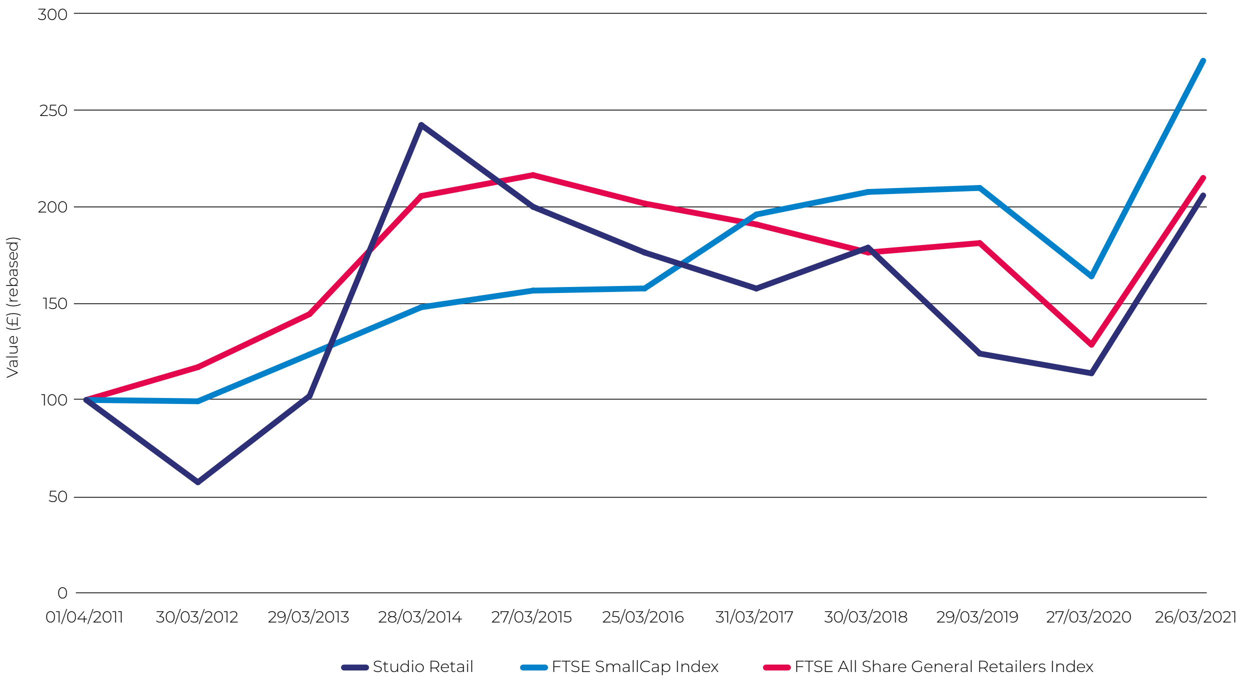
Remuneration policy report continued

Performance Graph

The following graph contrast the total shareholder return of the Company with the FTSE Small Cap Index and FTSE All Share General Retailers Index. These indices were selected as being, in the opinion of the Committee, the most appropriate for comparison because Studio Retail Group plc is currently a constituent member of each.

The graph shows the total shareholder return over the ten financial years to 26 March 2021.

Total shareholder return
Source: Datastream



The table below sets out the total remuneration figure for the Chief Executive role over the last ten years.

Executive	RWJ Siddle[1]				D A Sugden[2]		M I Burke[3]		PB Maudsley[4]			
Year ending	2012	2013	2014	2015	2016	2017	2017	2018	2018	2019	2020	2021
Total Remuneration (£'000')	£496	£745	£2,650	£509	£428	£332	£55	£3	£864	£926	£781	£1,228
Annual bonus (as % of maximum)	0.0%	62.3%	67.9%	0.0%	0.0%	0.0%	n/a	n/a	82.3%	95%	0%	92.5%
LTIP vesting (as % of maximum)	0.0%	0.0%	36.3%	0.0%	n/a	n/a	n/a	n/a	0.0%	0.0%	49%	70.1%[5]

1. Stepped down from the position of Chief Executive at the conclusion of the 2014/15 financial year.
2. With effect from the start of FY16, David Sugden became Executive Chairman. As detailed in the 2017 Remuneration Report David Sugden did not receive any long-term incentives in light of his appointment to the role being for a short-term period. David Sugden left the Board on 12 January 2017.
3. Joined the Board as Executive Chairman on 12 January 2017 and received base salary only and reverted to non-executive status on 5 April 2017.
4. Appointed CEO on 5 April 2017. Retired on 26 March 2021.
5. The number of awards granted was pro-rated based on length of service as detailed on pages 88 to 90.

Emoluments of the directors (subject to audit)

The emoluments of the directors in the period ended 26 March 2021 is shown below:

	Salary & Fees		Taxable Benefits[2]		Pension[3]		Total Fixed Pay		Annual Bonus[4]		Long-Term Incentives[5]		Total Variable Pay[6]		Total (6)	
£'000	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Chairman																
M I Burke	154	153	–	–	–	–	154	153	–	–	–	–	–	–	154	153
Executive directors																
S M Caldwell	277	275	18	17	42	41	337	333	246	–	164	157	410	157	747	490
P R Kendrick[1]	350	103	18	4	23	7	391	114	333	–	150	119	483	119	874	233
P B Maudsley	467	438	18	17	82	83	567	538	408	–	253	243	661	243	1,228	781
Non-executive directors																
C V Askem	41	41	–	–	–	–	41	41	–	–	–	–	–	–	41	41
G F Ball	61	61	–	–	–	–	61	61	–	–	–	–	–	–	61	61
F R Coumau	51	47	–	–	–	–	51	47	–	–	–	–	–	–	51	47
E M O'Donnell	51	51	–	–	–	–	51	51	–	–	–	–	–	–	51	51
Previous directors																
W Grimsey[1]	–	16	–	–	–	–	–	16	–	–	–	–	–	–	–	16
Totals	1,452	1,185	54	38	147	131	1,653	1,354	987	–	567	519	1,554	519	3,207	1,873

Notes:
1. Mr Kendrick was promoted to the Board in the position of MD, Studio on 16 December 2019; Mr Grimsey retired from the Board on 25 July 2019.
2. Taxable benefits comprise the private use of a motor car (or a cash allowance in its place), fuel, private health insurance and home telephone costs.
3. Pension values include contributions to defined contribution pension plans or cash allowances in lieu of pension contributions.
4. Further details of the annual bonuses payable to the executive directors in relation to the year under review are set out below.
5. As detailed on pages 88 and 89, the 2018 PSP awards which were based on a performance period ending at the conclusion of the 2020/21 financial year partially vested. See page 90 for further details. These awards have been valued using an assumed share price of 257p based on the closing share price on 15 June 2021 (being the vesting date).

The figures above represent emoluments paid to directors during their tenure in the relevant financial period, with the exception of annual bonus payments and Long-Term Incentives, which relate to performance in the period under review but paid/vested after the year-end.

FY21 Annual bonus

The FY21 performance-related bonus plan maximum was 100% of salary for the Chief Executive, Chief Financial Officer and MD, Studio.

With regards to the proportion of the total bonus that could be earned against each element, for the Chief Financial Officer and MD, Studio, 55% of the maximum opportunity was based on financial performance (Adjusted Group Profit Before Tax), 30% based on Active credit customers (with appropriate conditionality to ensure appropriate lending activities) and 15% based on a number of individually tailored personal objectives. For Phil Maudsley, performance was assessed against slightly different measures and weightings reflecting the year of transition. 55% was based on Group adjusted profit before tax, 10% based on growth in active credit customers , 10% based on achieving key stages in the process for the sale of FEL to YPO, and 25% based on non-financial / strategic measures, which relate to the CEO transition.

The entire bonus was subject to an underpin of threshold profitability. In addition, the bonus was also subject to a further underpin that enables the Committee to scale back the bonus (including to zero) if there were any material instances of inappropriate outcomes for customers.

Remuneration policy report continued

Performance against corporate targets

The FY21 corporate targets were:

Corporate performance	Threshold	Max	FY2020/21 Actual	% of salary payable (CEO)	% of salary payable (CFO)	% of salary payable (MD, Studio)
Group profit before tax*	£26.4m	£29.2m	£48.8m	55%	55%	55%
Active credit customers**	1,325k	1,390k	1,511k	10%	30%	30%
Key stages of the FEL sale	n/a	n/a	Partially achieved	2.5%	1%	n/a

* Adjusted Group profit before tax is calculated as per the Alternative Performance Measure described on pages 27 to 30 and is stated before individually significant items and fair value movements on foreign currency derivative financial instruments.

Personal objectives

The executive directors had a number of personal objectives set at the beginning of 2020/21. Achievement against these objectives was assessed by the Committee based on demonstrated progress against agreed milestones. For 2020/21, in light of some of the challenges of setting objectives during the pandemic, objectives consist of a series of agreed milestones which were subject to a qualitative assessment by the Committee following the year end. For 2021/22, it is intended that the majority of personal goals will have clearly defined sliding-scales.

Details of the non-financial objectives are set out in the tables below:

Chief Executive

Objective	Target	Achievement	Weighting	% payable
Transition of CEO responsibilities	Successful transition to new CEO, including major shareholder relationships (12.5%), internal responsibilities (7.5%) and the transition of the chair of the Board of Findel Education to the CFO (5%)	Planned CEO handover process followed and completed by end of Financial Year as assessed by the Committee with feedback obtained from the Chairman, CEO-designate and other internal stakeholders. Transition of chair of Board of Findel Education completed by end 2020 based on feedback from the CFO.	25%	25%

Chief Financial Officer

Objective	Target	Achievement	Weighting	% payable
Pension scheme de-risking	Be in position by the end of the financial year to activate a Buy Out of the Education section of the Pension. All preparatory work is completed to enable a prompt final quotation and buy out decision to be made in the event that the sale to YPO completes, or it is otherwise practicable	**Not achieved** due to the abandonment of the proposed sale of Education to YPO	3%	0%
Risk Reduction	Reduce Top 8 risk scores from average 22.5 to 19.5 whilst maintaining risk maturity at level 3	Average Score of 19.6 and level 3 maintained **Objective not achieved.**	4%	0%
Financing	Ensure appropriate debt funding is in place to meet the medium-term funding requirements of the Group	Additional securitisation facility limits achieve during the year in response to improved trading levels, with a further increased implemented shortly after the year end **Achieved**	3%	3%

MD, Studio

Objective	Target	Achievement	Weighting	% payable
Planning and Forecasting	Change from a catalogue centric process to a Seasonal based process relevant to an online business. The new process to be used for FY22 plan and budget	Seasonal planning process established within Trading. New growth model produced and used to create long term plan for the Board's strategic review. The same model being used to create FY22 budget **Achieved**	2.5%	2.5%
Digital Roadmap – Development of App	Increase App proportion of total sales from 6.4% in FY20 to 20% in FY21	Actual position 21% **Achieved**	2.5%	2.5%
Customer Experience	NPS of credit customers increased by at least 1 point in FY21 H2 vs FY20 H2	NPS underperformed in H2 **Not achieved**	2.5%	0%
Financial Services Strategic Development	Delivery of Mulesoft integration and real time decisioning by March 2021	Deployment has been successful **Achieved**	2.5%	2.5%
Affordable Debt Programme	% of Financial Services income from non-constrained credit customers from 56% in FY20 to 60% in FY21 (12 month rolling as at end March)	Year end position 69% **Achieved**	2.5%	2.5%
Risk Reduction	Reduce Top 8 risk scores from average 22.5 to 19.5 whilst maintaining risk maturity at level 3	Average risk score of 19.6 and maintenance level 3 risk maturity **Not achieved**	2.5%	0%

Remuneration policy report continued

As a result bonuses of 92.5%, 89% and 95% of salary have been awarded to the Chief Executive, Chief Financial Officer and MD, Studio respectively based on the Group's performance and the achievement of their individual objectives. In accordance with the policy, 25% of the bonus paid to the Chief Financial Officer and MD, Studio (after settlement of any tax or withholdings) will be held as shares which must be held for three years.

Directors' pension entitlements (subject to audit)

No director was a member of a defined benefit scheme during FY21. One (2020: One) of the directors is accruing pension benefits under the Group's defined contribution pension scheme.

Paul Kendrick receives a pension allowance of 6.5% of salary, which is in-line with pension contributions offered to the majority of the workforce. Stuart Caldwell's pension allowance is currently set at 15% of salary, reflecting his tenure as an executive director and the level of pensions provided to other senior employees. As required by Provision 38 of the UK Corporate Governance Code, the Company intends to reduce Mr Caldwell's pension to the same level of the workforce. It is intended that his pension will be reduced from 15% to 12% by the end of this financial year and will reduce further to 6.5% of salary by the end of March 2023.

Directors' Share Options and Long-Term Incentive Plans (subject to audit)

Awards vesting in relation to FY21

The performance conditions for the awards granted in FY19 were based on compound growth in EPS and TSR targets as set out in the table below:

Annual Compound Growth in TSR (to 26 March 2021 from the 31 March 2018 base year) - 50% of award	Annual Compound Growth in EPS (to 26 March 2021 from the 31 March 2018 base year) - 50% of award	Percentage of Shares subject to the Award that Vests
Below 7.5% p.a.	Below 7.5% p.a.	0%
7.5% p.a.	7.5% p.a.	20%
Between 7.5% and 15.0% p.a.	Between 7.5% and 15.0% p.a.	Between 20% and 100% on a straight-line basis
Above 15.0% p.a.	Above 15.0% p.a.	100%
Actual achieved 9.4% resulting in 40.1% of awards vesting	Actual achieved 22.3% resulting in 100% of awards vesting	

Assessment of adjusted EPS growth

When the awards were granted in FY19, the targets for adjusted EPS, which excluded the impact of individually significant items and the impact of fair value movements on the group's foreign currency forward contracts, were set by reference to the accounting standards prevailing at that point. In the intervening period, the group has adopted IFRS 9 Financial Instruments ("IFRS 9"), and IFRS 16 Leases ("IFRS 16"), both of which impact upon the adjusted EPS measure. In measuring the Company's performance against targets set, the Committee has therefore made the following adjustments to ensure that the FY21 adjusted EPS is derived on an equivalent basis to that assumed then awards were granted:

	FY18 PBT	FY18 Tax	FY18 PAT
Reported	22,145	(2,565)	19,580
Exclude fair value movements on derivative financial instruments (net of tax)	4,701	(893)	3,808
PAT for purpose of adjusted EPS	26,846	(3,458)	23,388
Pro-forma impact of IFRS 9	(2,400)	456	(1,944)
	24,446	(3,002)	21,444
No. of shares			86,442,534
Exclude treasury shares			(114,808)
			86,327,726
Base adjusted EPS (p)			**24.84**

	FY21
Profit after tax	21,775
Exclude Individually significant items (net of tax)	4,929
Exclude fair value movements on derivative financial instruments (net of tax)	11,837
Exclude impact of IFRS 16, net of tax	778
	39,319
Ordinary shares in issue at the start of the period	86,442,534
Effect of share issue	122,596
Effect of own shares held	(49,598)
Weighted average number of shares - basic	86,515,532
Adjusted EPS (p)	**45.4**
CAGR	22.3%

Assessment of absolute TSR

TSR was assessed by reference to the change in the company's average net return index between the final quarter of the FY18 financial year and the final quarter of the FY21 financial year. Annual compound growth over this period was 9.4% p.a., resulting in 40.1% of this part of the award vesting.

As a result of the performance outlined above, the following numbers of shares have vested:

As a result of the performance outlined above, the following numbers of shares have vested:

Director	Type of award	Vesting date	Number of shares awarded	Percentage of award vesting	Number of shares vesting	Estimated Value	Estimated Value attributable to share price growth
S M Caldwell	PSP	15 June 2021	91,241	70.1%	63,959	£164,375	N/A
P R Kendrick	PSP	15 June 2021	83,485	70.1%	58,522	£150,402	N/A
P B Maudsley[1]	PSP	15 June 2021	140,511	70.1%	98,498	£253,140	N/A

1 In accordance with his good leaver treatment, Phil Maudsley's award has been pro-rated between grant date and vesting date for time served. His original award of 153,285 shares was reduced to 140,511 shares.

These awards have been valued using the closing share price on 15 June 2021 of 257p, being the date of vesting. The share price used to determine the number of awards granted was 274p being the average of the 5 trading days preceding the date of grant on 13 June 2018.

Remuneration policy report continued

PSP Awards granted in FY2020/21

During FY2020/21 the following awards of nil-cost options were made under the PSP to Executive Directors.

Executive	Award (as a % of salary)	Share price	Number of shares subject to award	Face value of award	% of face value which vests at threshold
S M Caldwell	100%	247.6p	111,773	£276,750	20%
P R Kendrick	100%	247.6p	141,357	£320,000	20%
P B Maudsley	100%	247.6p	178,216	£441,263	20%

As set out in the FY20 report, the award is subject to EPS targets (2/3rds of the award) and Absolute TSR growth (1/3rd of the award). EPS remains the primary measure of our long-term financial success with TSR providing clear alignment with shareholders. Targets for the FY21 grants are:

Annual Compound Growth in EPS (to 31 March 2023 from the 27 March 2020 base year)	Annual Compound Growth in TSR (to 31 March 2023 from the 27 March 2020 base year)	Percentage of Shares subject to the Award that Vests
Below 7.5% p.a.	Below 7.5% p.a.	0%
7.5% p.a.	7.5% p.a.	20%
Between 7.5% and 15.0% p.a.	Between 7.5% and 15% p.a.	Between 20% and 100% on a straight-line basis
Above 15% p.a.	Above 15% p.a.	100%

TSR is measured based on a three-month averaging at the start and the end of the performance period. The above ranges of targets were calibrated after taking into account both internal and external growth expectations such that they were felt to provide a balance between being realistic at the bottom end of the range and very demanding at the top end of the range.

The award is also subject to an underpin that there are no material breaches of our commitment to "treating customers fairly" during the performance period. When assessing the outcome of the performance conditions the Committee will also have regard to the overall performance of the Group and has the discretion to reduce the award (including to zero) if it is felt that the outcome does not reflect underlying performance.

A two-year holding period will apply to any vested shares (net of tax).

Details of all directors' outstanding interests in shares under the Performance Share Plan (subject to audit)
The table below details the current outstanding share awards under the PSP:

Director	27 March 2020	Granted	Exercised	Lapsed	26 March 2021	Award date	Vesting date
S M Caldwell	137,873	–	67,557[1]	(70,316)	–	20-Jul-17	20-Jul-20
	91,241	–	–	–	91,241	13-Jun-18[2]	13-Jun-21
	108,000	–	–	–	108,000	12-Jun-19	12-Jun-22
	–	111,773	–	–	111,773	1-Sept-20	1-Sept-23
P R Kendrick	115,999	–	51,039[1]	(64,960)	–	4-Jul-17	4-Jul-20
	83,485	–	–	–	83,485	13-Jun-18[2]	13-Jun-21
	96,000	–	–	–	96,000	12-Jun-19	12-Jun-22
	–	141,357	–	–	141,357	1-Sept-20	1-Sept-23
P B Maudsley	212,982	–	104,361[1]	(108,621)	–	4-Jul-17	4-Jul-20
	153,285	–	–	–	153,285	13-Jun-18[2]	13-Jun-21
	172,200	–	–	–	172,200	12-Jun-19	12-Jun-22
	–	178,216	–	–	178,216	1-Sept-20	1-Sept-23

1 The proportion of these previously vested shares that would have been immediately sold on exercise to settle income tax and NICs withholding was waived and settled in cash using the flexibility provided by the LTIP rules to cash-settle awards. This was in order to enable the executive directors to exercise their awards within 12 months of vesting and thereby prevent the awards from lapsing in their entirety; these exercises may otherwise not have been possible due to the ongoing illiquidity in the market for the company's shares and the possibility of ongoing closed periods resulting from of the strategic review.

2 These awards have vested at 70.1% for following an assessment against the performance conditions carried out since the year end. In accordance with his good leaver status (as outlined in the section below) Phil Maudsley's award will be pro-rated for time served between grant date and his retirement from the Board.

Compensation for loss of office (subject to audit)

No payments were made during the period under review. Phil Maudsley retired following more than 30 years of service with the Company, at the end of the financial year, 26 March 2021. As disclosed in last year's report, he continued to receive base salary, pension and benefits up until that date. He was eligible for an annual bonus for the financial year which in accordance with the Policy will be paid in cash. Details of this bonus can be found on page 85. Reflecting his retirement, tenure and leadership, the Board has determined that he should be granted good leaver status. His outstanding PSP awards remain eligible to vest subject to performance conditions, which will be measured over the original performance period, with time pro-rating applied based on the period between grant and cessation of employment. Mr Maudsley did not receive compensation for loss of office and no further payments will be made and no PSP award will be granted for FY22.

Payments to former directors (subject to audit)

No payments to former directors were made during the period under review.

Service contracts and letters of appointment

Mr Caldwell has a service agreement dated 13 July 2017 and Mr Kendrick has a service agreement dated 15 December 2019. Each of these agreements contain a 6-month notice period from either party and there are no express provisions included in the contract on termination other than the Company may require the employee to remain away from work during his notice period during which time he would continue to be remunerated.

The service contract of Mr Maudsley dated 6 October 1997 (amended 18 January 2011) was further amended on 5 April 2017 to reflect his promotion to Chief Executive. Mr Maudsley's contract contained a 12-month notice period from either party until 31 March 2018, after which time it reduced to a 6-month notice period from either party. There were no express provisions included in the contract on termination other than the Company may require the employee to remain away from work during his notice period during which time he would continue to be remunerated.

Mr Burke joined as Executive Chairman on 12 January 2017 under a service agreement dated 16 December 2016. The employment was subject to a 6-month notice period from either party. Mr Burke subsequently became Non-Executive Chairman on 5 April 2017 and his service agreement was terminated by mutual consent and without compensation. This was replaced by a letter of appointment, dated 5 April 2017 which includes an initial term of 3 years, unless terminated by either party giving one months' notice.

The letter of appointment for Mr Coumau is dated 2 August 2013; for Mr Ball, 16 February 2016; for Ms O'Donnell, 24 January 2018; and for Ms Askem, 27 February 2019.

The letters of appointment of the non-executive directors are terminable at will. There is no entitlement to compensation for loss of office in connection with the termination of the services of the non-executive directors.

Remuneration policy report continued

Percentage increase in the remuneration of the directors and employees

The table below sets out the change over the prior period in base salary, benefits, pension and annual performance bonus of the directors compared to the same elements for senior management level.

	Percentage change in:		
	Base salary/fees	Benefits	Bonus
S M Caldwell	0%	3%	N/A[2]
P R Kendrick[1]	0%	5%	N/A[2]
P B Maudsley	7%[4]	0%	N/A[2]
M I Burke	0%	–	–
C V Askem	0%	–	–
G F Ball	0%	–	–
F R Coumau[3]	9%	–	–
E M O'Donnell	0%	–	–
Employees of parent company	12%	2%	N/A[2]
Average of comparator group*	4%	5%	N/A[2]

1 Prior period figures for Paul Kendrick only include the period when he was a director of the Company pro-rated to reflect a full year's remuneration.
2 Bonus last year was zero and so percentage growth cannot be calculated.
3 Francois Coumau became Chair of the Remuneration Committee during FY20 and received £10,000 pa increase in fees from that point.
4 Current year salary and fees includes £28,000 of pay in respect of accrued holiday, untaken at leaving. When this is excluded, the year-on-year is increase is 0%.
* The comparator group chosen comprises the most senior managers in the Company who participate in a similar annual incentive structure and so this population has been chosen to best provide a consistent like-for-like comparison.

Relative importance of the spend on pay

	FY21	FY20	% Change
Staff Costs (£m)	70.2	67.0	4.7%
Distributions to shareholders (£m)	–	–	n/a
Adjusted profit before tax* (£m)	£48.8m	£27.3m	79%

* Please refer to the calculation of Alternative Performance Measures on pages 27 to 30 for detail of how Adjusted profit before tax is derived.

Chief Executive Officer pay ratio

The table below shows the relevant data for Studio Retail Group UK employees for 2021 calculated using Option A as set out in the legislation.

Year	Method of calculation adopted	25th percentile pay ratio (Chief Executive : UK employees)	Median pay ratio (Chief Executive : UK employees)	75th percentile pay ratio (Chief Executive : UK employees)
FY21	Option A	71 : 1	58 : 1	38 : 1
FY20	Option A	48 : 1	39 : 1	24: 1

Pay details for the individuals whose 2021 remuneration is at the median, 25th percentile and 75th percentile amongst UK based employees are as follows:

Year	Chief Executive	25th percentile	Median	75th percentile
Salary	£467k	£16k	£19k	£30k
Total pay and benefits	£1,228k	£17k	£21k	£31k

The median, 25th percentile and 75th percentile figures used to determine the above ratios were calculated by reference to the full-time equivalent annualised remuneration (comprising salary, benefits, pension, annual bonus and long-term incentives) of all UK based employees of the Group as at 26 March 2021 (i.e. "Option A" under the Regulations). The Committee selected this calculation methodology as it was felt to produce the most statistically accurate result.

The Remuneration Committee is steadfastly committed to ensuring that the reward of the CEO and other senior executives is commensurate with performance of the Group. Accordingly, as laid out graphically in the Remuneration Policy, a significant element of the Chief Executive's total pay is variable and is tied to the financial and operational performance of the Company and to share price performance. This is reflected in our CEO pay ratio which has increased from last year, reflecting Studio's stronger in-year financial and non-financial performance and returns to shareholders. The Committee is satisfied this is consistent with the pay, reward and progression policies for the company's UK employees taken as a whole, taking account of the fact that variable pay forms a greater proportion of the remuneration of our executive directors, and with our reward principles.

Directors' interests (subject to audit)

The beneficial interests of the directors, together with non-beneficial interests, in the ordinary shares of the Company are shown below (the interests in shares have been stated based on the equivalent post consolidation number at each reporting date).

	Beneficially/Legally Owned		PSP Awards		Total
Executive directors	26.03.2021	27.03.20	Unvested	Vested but not exercised	26.03.2021
S M Caldwell*	88,164	52,359	311,014	–	399,178
P R Kendrick*	42,225	15,175	320,842	–	363,067
P B Maudsley	347,747	292,436	503,701	–	851,448

* Based on current beneficially owned shares and the year-end share price of 262.5p, neither Mr Kendrick or Mr Caldwell yet satisfy the Company's share ownership guideline. Mr Maudsley satisfied the requirement.

- Since the end of the year Mr Caldwell has purchased 6,578 shares and Mr Kendrick has purchased 6,546 shares. These share dealings have increased their respective beneficial interests as at the date of this report to 94,742 shares in the case of Mr Caldwell and 48,771 shares in the case of Mr Kendrick.

	Beneficially/Legally Owned		PSP Awards		Total
Non-executive directors	26.03.2021	27.03.20	Unvested	Vested	26.03.2021*
M I Burke	60,000	60,000	–	–	60,000
F R Coumau	40,558	40,558	–	–	40,558
G F Ball	18,570	18,570	–	–	18,750
E M O'Donnell	9,722	9,722	–	–	9,722
C V Askem*	–	–	–	–	–

* Since the year end Ms Askem has purchased 6,500 shares.

Remuneration policy report continued

Company Share Price

The market price of the ordinary shares at 26 March 2021, being the last day of stock market trading before the period end, was 262.5p and the range during the period was 141p up to 299p.

Implementation of Policy for FY21

Executive directors

Salary

The Committee has recently carried out their annual review of the salaries of the executive directors taking into account the role, responsibilities, performance and experience of the individual, the overall employee salary increase budget and wider inflationary indicators. The Committee has decided that there will be no salary increase for executive directors on 1st August 2021.

The base salaries effective 1 August 2020 and 1 August 2021 are as follows:

Director	1 August 2021	1 August 2020[1]	% change
Chief Executive	£405,000	£405,000	0%
Chief Financial Officer	£276,750	£276,750	0%

1 For Paul Kendrick, the salary shown is from date of appointment as CEO.

For comparison, the average salary increase awarded across the Company for 2021/22 is 1%.

Pension

Stuart Caldwell's pension will be reduced from 15% to 12% by the end of the current financial year and will reduce further to 6.5% of salary, which is in-line with the workforce, by the end of the year ending in March 2023. Paul Kendrick's pension is already in-line with the workforce at 6.5%.

Performance-related bonus

In FY22, the executive directors will be eligible for annual bonus awards up to 125% of salary. For 2021/22 the Committee has reviewed the weighting on financial and non-financial metrics in light of the changes in the group strategy and the need to consolidate the strong growth delivered last year. Accordingly, a greater weighting is being placed on adjusted profit before tax, with revenue growth being introduced as an additional financial measure.

Performance will therefore be assessed against the following measures:

- 60% Group Adjusted profit before tax.
- 15% Revenue growth.
- 25% non-financial objectives related to the role.

Any pay-out under the bonus will be subject to Group adjusted PBT being above the threshold target and there being no material incidence of breaches of our commitment to Treating Customers Fairly during the year. Disclosure of the exact targets is commercially sensitive, but it is expected that there will be full disclosure of the targets and performance against them in the FY22 Annual Report on Remuneration. 25% of any bonus paid will be taken in shares which (after settlement of any tax or withholdings) must be held for three years.

Long-term incentive awards
In FY22, the executive directors will be eligible for PSP awards of 125% of salary. Awards will continue to be based on Absolute TSR and EPS performance conditions, with the same weightings as last year – one-third based on Absolute TSR and two-thirds EPS. As outlined last year, the greater weighting on EPS reflects the Company's relatively volatile share price and the lack of free float, which results in EPS having the greater weighting.

The Absolute TSR compound annual growth rates (CAGR) used are the same as those which applied to the previous year's awards and continue to be considered stretching for the Company relative to internal and external forecasts. The threshold level for the EPS element has been reviewed in light of the increase in the maximum award level for executive directors, and the impact of announced corporation tax rises during the performance period. The Committee has determined that the maximum EPS target at 15% p.a. for executive directors, resulting in the maximum targets becoming significantly more stretching over the next three years. The threshold target has been reduced from 7.5% p.a. to 5% p.a. in recognition of the greater stretch in delivering growth. The Committee considers that taken as a whole the targets are more stretching than the targets set for the previous year's awards. In summary, these are as follows:

Director	Weighting	Threshold (20% vesting)	Maximum (100% vesting)
EPS targets	2/3rds	5% p.a. CAGR	15% p.a. CAGR or higher
Absolute TSR targets	1/3rd	7.5%p.a. CAGR	15% p.a. CAGR or higher

Any vested shares (net of tax) will be subject to a two-year holding period and any incentive payments will be subject to recovery and withholding provisions as set out in the Directors' Remuneration Policy.

Non-executive directors
No increase will apply to the fees for the Chairman and non-executive directors. Therefore the fees remain as follows:

- Chairman fee: £153,750 (no change);
- Base fee for other non-executive directors: £41,000 (no change);
- Senior Independent Director fee: £10,000 (no change);
- Chairman of the Audit Committee fee: £10,000 (no change);
- Chairman of the Risk Committee fee: £10,000;(no change) and
- Chairman of the Remuneration Committee fee: £10,000 (no change).

On behalf of the Board

Francois Coumau
Chair of the Remuneration Committee
29 June 2021

Risk committee report

Risk Committee members

- Greg Ball – Chair
- Clare Askem
- Francois Coumau
- Elaine O'Donnell

On behalf of the Committee I am pleased to present the Studio Risk Committee report for the financial year ended 26 March 2021 (FY21).

The Board operates a separate Risk Committee to provide assurance and advice on the adequacy, effectiveness and execution of risk management. It does so through the monitoring and assessment of strategic risks in the context of approved appetite levels, with a focus on those risk outside of appetite. The Committee's written terms of reference are available on the Company's website.

Governance

The Committee has been comprised of three independent non-executive directors throughout the year, myself as Committee Chairman together with Francois Coumau and Elaine O'Donnell. Brief biographical details of the Committee members are set out on pages 50 to 51 and the number of meetings and attendance records are set out on page 54.

The executive directors, the Chairman of the Board, the Company Secretary, the General Counsel and Risk & Compliance Director, and the Director of Audit and Assurance attended each meeting by invitation, together with other senior managers as appropriate.

In terms of the broader approach to risk management within the business, a combination of structured governance exists which culminates in Departmental Risk Forums and a 1st Line Executive Risk Committee, which has recently been introduced. Following on from the work which was undertaken last year to embed and enhance risk management practices across the first and second-line management teams within Studio, a fully resourced 1st Line Risk Team has been introduced to the business to continue this work. Furthermore, a new Head of 2nd Line Risk has been appointed and a review has been undertaken to ensure that the 2nd Line Risk Team remains fully resourced to continue Studio's risk maturity journey.

Key Risks Facing the Business

The business continuously reviews its key risks, and these are summarised below:

- The economic outlook is uncertain, particularly in relation to the ongoing impact of Covid-19 and continuing uncertainties around the impact of Brexit. In particular, the business's financial services activities are sensitive to changes in unemployment, interest rates and inflation, impacting the levels of disposable income available to lower socio-economic groups and their subsequent capacity to make repayments on their credit account. These customers form an important part of the overall Studio customer base.
- The FCA continues to apply principles-based regulation towards consumer lending, with interpretation of those principles requiring regular monitoring. Recent changes to rules on affordability, avoiding persistent debt and identifying potentially vulnerable customers have affected customer acquisition and credit limit management, which will impact on credit income in the coming periods. The plans set out in the Strategic Report reflect this.
- Notwithstanding recent investments in new systems, the business remains highly dependent upon some legacy systems both in the support of running the business on a daily basis and the storage and protection of customer data. Whilst resilience testing and

recovery plans are in place, the combination of increasing cyber activity and the level of change being deployed in the business makes this an area of higher potential risk.

- Studio imports a relatively high proportion of its retail products from China, either sourced directly or indirectly. A further rise in geopolitical tensions with China could lead to legislative or economic barriers to trade being introduced. Studio's Shanghai sourcing office is actively seeking to widen the number of countries that it sources products from, whilst retaining appropriate quality standards.
- Studio's main warehouse facility in Accrington is potentially a single point of failure, although has proven to be a versatile and Covid-secure facility. Whilst the risks of the facility failing are low, appropriate disaster recovery plans have been developed and will continue to be reviewed and tested over the coming year.

Over the past year Studio has invested in modernising its systems and processes and will continue to do so over the coming year. Studio's ability to be successful in delivering these plans lies in robust project and change management, careful consideration and management of resource demand and a clear understanding of the risks we aim to mitigate or the benefits we hope to realise as part of these changes.

Progress During the Year

During the course of the year, we have continued to make improvements in relation to our ability to identify, document, monitor and mitigate what we consider to be our key risks. Some of the progress this year includes:

- Introduction of a fully resourced 1st Line Risk Team to guide, train, support and challenge the business in its ability to interpret and adhere to the Risk Management Framework.
- A new Head of 2nd Line Risk has been appointed and work has been undertaken to ensure that the 2nd Line Risk Team is appropriately resourced to provide the Board with the independent assurance it requires, that risks are being appropriately identified and managed.
- A new Risk Management System has been identified, with a view to it being introduced and embedded in FY22, to ensure that management have the correct level of management information to support risk-based decision making.
- The 1st Line Risk Team have begun a project to understand how the current risk and control profiles of the business can be enhanced, with a view to introduced Risk and Control Self-Assessment (RCSA) into the business in FY22.
- We continue to oversee the business's response to the ongoing challenges posed by Covid-19, including assessment of new risks arising from the pandemic and new mitigating controls required to respond to the challenges effectively.

Effectiveness

The executive team have fully engaged in the development of the maturity of risks management, which is supported by senior management, such that

- financial and operational authorisation levels, alongside the application of risk appetite, can continue to be enhanced in line with core risks, and
- escalation and de-escalation is clearly communicated as necessary to decision makers.

This work enabled the Committee to report to the Board on the key business risks facing the Company. The Board then used this reporting as a basis to carry out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency, liquidity, regulatory breach and adverse impacts on customer outcomes. The principal risks and uncertainties that could impact the performance of the Group are set out on pages 48 and 49.

Future Developments of the Risk Management Capability.

As with all operational functions, the business is keeping its risk management framework and approach to risk modelling under constant review to ensure it is not only operating effectively but is as reliable as possible. To this end, over the next 12 months the Committee will:

- Support the business in re-affirming its Strategic Risk profile to ensure that the right risks are being reported on, discussed and challenged at the right levels.
- Oversee the introduction of Risk and Control Self-Assessment across the business to ensure that 1st Line risk and controls are formally reviewed on a frequent basis.
- Continue to drive a culture of responsibility and accountability in relation to risk management through the expectation of clear and prompt action management for risks which remain outside or nearing Studio's risk appetite.

Greg Ball
Chairman of the Risk Committee
29 June 2021

Statement of Directors' Responsibilities in respect of the Annual Report and Accounts

The directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements in accordance with UK Accounting Standards, including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the directors in respect of the Annual Report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The directors of Studio Retail Group plc are detailed on pages 50 and 51.

By order of the Board

Ian Burke	Paul Kendrick
Chairman	Chief Executive

29 June 2021

Independent auditor's report

to the members of Studio Retail Group plc

Opinion

We have audited the financial statements of Studio Retail Group plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 26 March 2021 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Equity, Company Balance Sheet, Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the group financial statements, international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The financial reporting framework that has been applied in the preparation of the parent company is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 26 March 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and, international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union; and
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, as applied to public interest entities and listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

In addition to those matters set out in the "Key audit matters" section below, we identified going concern of the group and of the parent company as a key audit matter due to significant levels of management judgement involved in assessing the inherent business risks and determining the appropriate basis of preparation for the group's and parent company's financial statements. The significant risks identified are:

- The COVID-19 pandemic has increased the level of uncertainty regarding the group's ability to forecast the cash flows expected to be recovered from its customer credit trade receivables as a result of uncertainty in the wider economic impacts of COVID-19; and
- The group has reported record levels of trading during the financial year. The group benefited from the consumer spending shifts during the pandemic and reported year on year growth. However, uncertainty exists over how consumer spending habits will change as the UK emerges from lockdown measures and government support packages cease and therefore greater level of uncertainty exists over forecasting future trading cash flows.

Independent auditor's report continued
to the members of Studio Retail Group plc

Our audit procedures to evaluate the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern;
- Obtaining an understanding of the relevant controls relating to the directors' going concern assessment;
- Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the group's future financial performance;
- Challenging the appropriateness of the directors' key assumptions in their cash flow forecasts, as described in Note 1, by reviewing supporting evidence in relation to these key assumptions and assessing the directors' consideration of severe but plausible scenarios. This included consultation with an internal restructuring partner on key aspects of the forecast and assessing the viability of mitigating actions within the directors' control;
- Testing the accuracy and functionality of the model used to prepare the directors' forecasts and going concern assessment;
- Assessing the historical accuracy of forecasts prepared by the directors;
- Engaging in regular discussions with the directors regarding the status of negotiations in respect of new financing options which concluded successfully in June 2021;
- Assessing and challenging key assumptions and mitigating actions put in place in response to COVID-19;
- Considering the consistency of the directors' forecasts within our audit of other areas of the financial statements; and
- Evaluating the appropriateness of the directors' disclosures in the financial statements on going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the group's and the parent company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in respect of the directors' identification in the financial statements of any material uncertainties to the group's and the parent company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matters in forming our audit opinion above, together with an overview of the principal audit procedures performed to address each matter and key observations arising from those procedures. The matters set out below are in addition to going concern which, as set out in the "Conclusions relating to going concern" section above, was also identified as a key audit matter.

These matters, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

Key Audit Matter	How our scope addressed this matter
Impairment of trade receivables (£106.8m expected credit loss; 2020: £101.9m. Refer to page 65 of the audit committee report, pages 121 to 125 for the accounting standard and Note 15 for financial disclosures) The group has significant trade receivables as a result of credit facilities which are offered to customers by the Studio business. These are recovered through instalments. Credit risk is an inherently judgmental area due to the use of subjective assumptions and a high degree of estimation uncertainty. The impairment provision relating to Studio customer receivable portfolio requires the Directors to make judgements over the ability of customers to make future loan repayments. The calculation of the expected credit loss ('ECL') is based on modelling the credit loss, and is sensitive to assumptions made in the process, particularly the probability of default and changes in credit risk, the timing and amount of cash recoveries and forward-looking information. The areas where we identify greater levels of management judgement are: • The timeliness of identifying Significant Increases in Credit Risk ('SICR') due to the factors required in assessing whether there has been a SICR and the impact this has on the staging assigned to customer receivables and the overall ECL calculation; • Key assumptions used to derive the ECL provision, particularly the exposure-at-default ('EAD') and the recoverability of assets, with particular focus on the debt sales given the impact that a forecast change in recovery can have on the overall ECL calculation; and • Usage and selection criteria on the key economic drivers used to reflect the range of future economic scenarios. The on-going COVID-19 pandemic increases the risk associated with the impairment allowance, particularly given the impact COVID-19 has had on customer performance and the associated probability of default, payment holidays and the future economic modelling as a result of changing economic conditions caused by the impact of the pandemic. We determined that the recoverability of trade receivables has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.	**Our principal audit procedures were:** • Assessing the design and implementation, and testing the operating effectiveness, of the key controls in relation to the impairment and provision model and process (including monitoring of the provisioning model, review controls over key assumptions and data inputs); • Assessing Studio's overall methodology against the requirements of IFRS 9 including the method of identifying Significant Increases in Credit Risk, including considering COVID 19 payment holidays and deferrals; • Performing a combination of control and direct testing over the relevant data elements within the provisioning model to gain comfort over the completeness and accuracy of the source data. This included testing attributes back to source documentation to give comfort over the key inputs including the PD and EAD; • Challenging management's forecasting and weighting of key model drivers (macro-economic variables) and expected future debt sale prices (ultimate recoveries) by engaging with our credit risk specialists and economist; and • Using our credit risk specialists, we have performed testing of the PD methodology and calculation used by Studio to select the key model drivers for their scenario modelling. **Our observations** • Based on the work performed, we found the methodologies and modelled assumptions used to value the trade receivables ECL to be reasonable and in line with the requirements of IFRS 9. • Control deficiencies in relation to the ECL assumptions were communicated through our audit completion report to the audit committee.

Independent auditor's report continued

to the members of Studio Retail Group plc

Key Audit Matter	How our scope addressed this matter
Valuation of gross defined benefit pension obligations (£20.8m defined benefit surplus; 2020: £31.7m. Refer to page 126 for the accounting standard and Note 26 for financial disclosures) The group sponsors the Findel Group Pension Fund which is a defined benefit pension scheme; the year end valuation comprises gross defined benefit obligation valued at £147m and scheme assets of £169m, which are significant in the context of the group balance sheet. The valuation of the schemes' liabilities requires judgement and technical expertise in choosing appropriate assumptions, including in the selection of the discount rate, inflation rate, mortality rate and guaranteed minimum pensions ('GMP') equalisation adjustment for past transfers out. The group uses external actuaries to advise on the selection of appropriate and assumptions and to calculate the schemes' liabilities. The valuation of the defined benefit pension scheme obligation is subject to high estimation uncertainty as management exercise judgement in selecting the key assumptions that underpin the calculation of the period end obligation. A small change in key assumptions can have a significant impact on the defined benefit pension obligation. There are a potential range of reasonable outcomes greater than materiality of the financial statements as a whole, as such we consider this to be an area of significant risk and a key audit matter.	**Our principal audit procedures were:** · Obtaining the actuarial report for the scheme as at 26 March 2021; · Engaging our own actuarial specialists to review the pension assumptions, including discount rates, inflation and mortality rates used in calculation of defined benefit obligation; · Assessing the appropriateness and consistency of the methodology applied by management in setting the key assumptions; · Assessing the reasonableness of the actuarial assumptions, including comparing the discount and inflation rates used to our internally developed benchmark ranges; · Reviewing the GMP past transfers out methodology and performed an approximate recalculation; and · Considering the adequacy of the disclosures in respect of retirement benefits, in particular the gross defined benefit pension obligation and the assumptions used and the sensitivity of the liabilities to these assumptions. **Our observation** · Based on the work performed, we are satisfied that the valuation of defined benefit pension scheme obligation is reasonable and in line with the requirements of IAS 19.

We have not identified any key audit matters specific to the parent company.

Our application of materiality and an overview of the scope of our audit

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality

Materiality for the financial statements was determined as:

- Group financial statements: £1.7m (2020 predecessor auditor: £1.5m).
- parent company financial statements was determined as £0.5m (2020 predecessor auditor: £0.7m).

How we determined it

We set our benchmark for the financial statements as:

- Group financial statements: based on 0.3% of group revenue (2020 predecessor auditor: 0.3% of group revenue).
- Parent company financial statements: based on 0.5% of total assets (2020 predecessor auditor: 0.5% of total assets).

The range of materiality for the three components subject to full audit scope was established as £0.3m - £1.7m (2020 predecessor auditor: £0.5m - £1.3m).

Rationale for benchmark applied

For the group financial statements, in determining overall materiality we assessed the stability of the benchmarks of group profit before tax and group revenue based on recent historical financial results. We determined group revenue (2020 predecessor auditor: group revenue) as the most appropriate benchmark to apply as this provides a more stable measure, with profit before tax being more volatile across the previous five years.

For the parent company financial statements, we determined total assets (2020 predecessor auditor: total assets) as the most appropriate benchmark to apply, with the primary purpose being that of a holding company.

Performance materiality

Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. Group performance materiality was set at 60% of group materiality (2020 predecessor auditor: 70%)

In determining performance materiality for both the group financial statements and parent company financial statements, we have considered:

- Errors detected in prior year audits; and
- The group's control environment.

Reporting threshold

We agreed with the directors that we would report to them misstatements identified during our audit above £87k as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements such as making assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of a risk assessment, our understanding of the group and the parent company, its environment, controls and critical business processes, to consider qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items.

Our group audit scope included an audit of the group and parent financial statements of Studio Retail Group plc. We have set out below the group audit scope based on our risk assessment:

	2021	2020 (predecessor auditor)
Number of reporting entities subject to full audit scope	3 out of 4	3 out of 4
% of group revenue	100%	100%
% of group profit before tax from continuing operations	99%	99%
% of group total assets	99%	99%

At the parent level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report continued

to the members of Studio Retail Group plc

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Guidance and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the parent company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA rules.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in;

- the Strategic Report or the Directors' Report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the parent company

Corporate governance statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to Studio Retail Group plc's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 57;
- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why they period is appropriate set out on page 57;
- Directors' statement on fair, balanced and understandable set out on page 98;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 48 and 49;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 96 and 97; and;
- The section describing the work of the audit committee set out on pages 64 to 67.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 98, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Based on our understanding of the group and the parent company and its industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of regulatory requirements of the Financial Conduct Authority, tax legislation, pensions legislation, employment regulation and health and safety regulation, anti-bribery, money laundering, General Data Protection Regulation (GDPR), and we considered the extent to which non-compliance might have a material effect on the financial statements.

In identifying and assessing risks of material misstatement in respect to irregularities including non-compliance with laws and regulations, our procedures included but were not limited to:

- At the planning stage of our audit, gaining an understanding of the legal and regulatory framework applicable to the group and parent company, the structure of the group, the industry in which they operate and considered the risk of acts by the group and the parent company which were contrary to the applicable laws and regulations;
- Discussing with the directors and management the policies and procedures in place regarding compliance with laws and regulations;
- Discussing amongst the engagement team the identified laws and regulations, and remaining alert to any indications of non-compliance; and
- During the audit, focusing on areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussions with the directors (as required by auditing standards), from inspection of the company's parent company's and group's regulatory and legal correspondence and review of minutes of directors' meetings in the year.

Our procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud such as opportunities for fraudulent manipulation of financial statements, and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, and significant one-off or unusual transactions; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

Independent auditor's report continued

to the members of Studio Retail Group plc

The primary responsibility for the prevention and detection of irregularities including fraud rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

As a result of our procedures, we did not identify any key audit matters relating to irregularities. The risks of material misstatement that had the greatest effect on our audit, including fraud, are discussed under "Key audit matters" within this report.

A further description of our responsibilities is available on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities.

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by Studio Retail Group plc on 21 October 2020 to audit the financial statements for the year ending 26 March 2021 and subsequent financial periods. The period of total uninterrupted engagement is one year, covering the current year ended 26 March 2021.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Use of the audit report

This report is made solely to the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent company and the parent company's members as a body for our audit work, for this report, or for the opinions we have formed.

David Allen
(Senior Statutory Auditor) for and on behalf of
Mazars LLP
Chartered Accountants and Statutory Auditor
1 St Peter's Square,
Manchester,
M2 3DE.

Date: 29 June 2021

Consolidated Income Statement

52-week period ended 26 March 2021

	Notes	Before individually significant items £000	Individually significant items £000	Total £000
Continuing operations				
Revenue		462,298	–	462,298
Credit account interest		116,303	–	116,303
Total revenue (including credit interest)		578,601	–	578,601
Cost of sales		(285,556)	–	(285,556)
Impairment losses on customer receivables		(45,689)	–	(45,689)
Gross profit		247,356	–	247,356
Trading costs	3, 4	(189,369)	(1,053)	(190,422)
Analysis of operating profit:				
– EBITDA*		72,968	(1,575)	71,393
– Depreciation, amortisation and impairment		(14,981)	522	(14,459)
Operating profit	3, 4	57,987	(1,053)	56,934
Net finance costs	6	(9,175)	–	(9,175)
Profit before tax and fair value movements on derivative financial instruments		48,812	(1,053)	47,759
Fair value movements on derivative financial instruments		(6,085)	–	(6,085)
Profit before tax		42,727	(1,053)	41,674
Tax (expense)/credit	4, 7	(8,804)	200	(8,604)
Profit from continuing operations	8	33,923	(853)	33,070
Discontinued operation				
Loss from discontinued operation, net of tax	5	(311)	(10,984)	(11,295)
Profit for the period		33,612	(11,837)	21,775
Profit attributable to owners of the parent		33,612	(11,837)	21,775
Earnings/(loss) per ordinary share				
from continuing operations				
Basic	10			38.22
Diluted				37.38
from discontinued operation				
Basic	10			(13.06)
Diluted				(12.77)
total attributable to ordinary shareholders				
Basic	10			25.16
Diluted				24.61

The accompanying notes are an integral part of this consolidated income statement.

* Earnings before interest, tax, depreciation, amortisation and fair value movements on derivative financial instruments.

Consolidated Income Statement

52-week period ended 27 March 2020 (restated)

	Notes	Before individually significant items £000	Individually significant items £000	Total £000
Continuing operations				
Revenue		330,352	–	330,352
Credit account interest		104,542	–	104,542
Total revenue (including credit interest)		434,894	–	434,894
Cost of sales		(208,924)	–	(208,924)
Impairment losses on customer receivables		(53,930)	–	(53,930)
Gross profit		172,040	–	172,040
Trading costs	3, 4	(150,549)	(6,807)	(157,356)
Analysis of operating profit:				
– EBITDA*		35,037	(5,648)	29,389
– Depreciation, amortisation and impairment		(13,546)	(1,159)	(14,705)
Operating profit	3, 4	21,491	(6,807)	14,684
Net finance costs	6	(10,491)	–	(10,491)
Profit before tax and fair value movements on derivative financial instruments		11,000	(6,807)	4,193
Fair value movements on derivative financial instruments		2,608	–	2,608
Profit before tax		13,608	(6,807)	6,801
Tax (expense)/credit	4, 7	(1,052)	1,293	241
Profit from continuing operations	8	12,556	(5,514)	7,042
Discontinued operation				
Profit from discontinued operation, net of tax	5	1,571	(1,243)	328
Profit for the period		14,127	(6,757)	7,370
Profit attributable to owners of the parent		14,127	(6,757)	7,370
Earnings per ordinary share				
from continuing operations				
Basic	10			8.16
Diluted				8.12
from discontinued operation				
Basic	10			0.38
Diluted				0.38
total attributable to ordinary shareholders				
Basic	10			8.54
Diluted				8.50

The accompanying notes are an integral part of this consolidated income statement. A restated Consolidated Income Statement has been presented in note 1.

* Earnings before interest, tax, depreciation, amortisation and fair value movements on derivative financial instruments.

Consolidated Statement of Comprehensive Income

52-week period ended 26 March 2021

	2021 £000	2020 (restated) £000
Profit for the period	**21,775**	7,370
Other Comprehensive Income		
Items that may be reclassified to profit or loss		
Cash flow hedges	**20**	28
Currency translation gain/(loss) arising on consolidation	**615**	(443)
	635	(415)
Items that will not subsequently be reclassified to profit or loss		
Remeasurements of defined benefit pension scheme (note 26)	**(15,877)**	26,915
Tax relating to components of other comprehensive income (note 7)	**3,017**	(4,043)
	(12,860)	22,872
Total comprehensive income for period	**9,550**	29,827

The total comprehensive income for the period is attributable to the equity shareholders of the parent company Studio Retail Group plc.

Consolidated Balance Sheet
at 26 March 2021

Company Number: 549034

	Notes	2021 £000	2020 (restated) £000
Non-current assets			
Intangible assets	11	**22,761**	41,837
Property, plant and equipment	12	**58,188**	68,144
Derivative financial instruments	19	**–**	2
Retirement benefit surplus	26	**20,837**	31,695
Deferred tax assets	21	**1,742**	3,172
		103,528	144,850
Current assets			
Inventories	14	**37,769**	58,825
Trade and other receivables	15	**291,225**	245,240
Derivative financial instruments	19	**55**	3,250
Cash and cash equivalents	16	**37,443**	33,163
Current tax assets	7	**507**	1,718
Current assets excluding assets held for sale		**366,999**	342,196
Assets classified as held for sale	5	**45,287**	–
Total current assets		**412,286**	342,196
Total assets		**515,814**	487,046
Current liabilities			
Trade and other payables	17	**(73,266)**	(76,943)
Lease liabilities	13	**(6,275)**	(6,853)
Derivative financial instruments	19	**(2,927)**	(36)
Provisions	20	**(5,185)**	(4,335)
Bank loans	18	**(65,000)**	–
Current liabilities excluding liabilities held for sale		**(152,653)**	(88,167)
Liabilities directly associated with the assets held for sale	5	**(18,715)**	–
Total current liabilities		**(171,368)**	(88,167)
Non-current liabilities			
Bank loans	18	**(225,000)**	(282,591)
Lease liabilities	13	**(34,174)**	(42,292)
Provisions	20	**(354)**	–
		(259,528)	(324,883)
Total liabilities		**(430,896)**	(413,050)
Net assets		**84,918**	73,996
Equity			
Share capital	23	**48,687**	48,644
Translation reserve		**936**	321
Hedging reserve		**(6)**	(26)
Retained earnings		**35,301**	25,057
Total equity		**84,918**	73,996

Approved by the Board and authorised for issue on 29 June 2021

P R Kendrick Group CEO
S M Caldwell Group CFO

The accompanying notes are an integral part of this consolidated balance sheet.

Consolidated Cash Flow Statement

52-week period ended 26 March 2021

	2021 £000	2020 £000
Profit for the period	**21,775**	7,370
Adjustments for:		
Income tax charge/(credit)	**5,625**	(271)
Finance costs	**9,447**	10,998
Depreciation of property, plant and equipment	**12,724**	14,953
Impairment of property, plant and equipment	**630**	1,300
Impairment of intangible assets	**11,075**	–
Amortisation of intangible assets	**5,489**	2,313
Share-based payment expense	**1,372**	649
Fair value movements on financial instruments net of premiums paid	**6,085**	(2,621)
Pension contributions less income statement charge	**(4,175)**	(4,792)
Operating cash flows before movements in working capital	**70,047**	29,899
Decrease/(increase) in inventories	**9,600**	(10,068)
Increase in receivables	**(57,871)**	(9,317)
Increase in payables	**10,737**	4,442
Increase in provisions	**1,204**	1,558
Cash generated from operations before interest and tax paid	**33,717**	16,514
Income taxes paid	**(5,482)**	(3,717)
Interest paid	**(10,453)**	(8,495)
Net cash from operating activities	**17,782**	4,302
Investing activities		
Proceeds on disposal of property, plant and equipment	**23**	–
Purchases of property, plant and equipment	**(6,812)**	(14,292)
Purchases of software and IT development costs and other intangible assets	**(8,500)**	(530)
Net cash used in investing activities	**15,289**	(14,822)
Financing activities		
Payments of lease liabilities	**(5,615)**	(5,966)
Bank loans repaid	**(20,000)**	(10,000)
Securitisation loan drawn	**27,409**	22,046
Net cash from financing activities	**1,794**	6,080
Net on increase/(decrease) in cash and cash equivalents	**4,287**	(4,440)
Cash and cash equivalents at the beginning of the period	**33,163**	37,603
Effect of foreign exchange rate changes on cash held	**(7)**	–
Cash and cash equivalents at the end of the period	**37,443**	33,163

The accompanying notes are an integral part of this consolidated cash flow statement.

Consolidated Statement of Changes in Equity

52-week period ended 26 March 2021

	Share capital £000	Translation reserve £000	Hedging reserve £000	(Accumulated losses)/ retained earnings £000	Total equity £000
As at 29 March 2019	48,644	764	(54)	(5,834)	43,520
Profit for the period – as reported	–	–	–	8,755	8,755
Reversal of IFRS 5 adjustment	–	–	–	(1,385)	(1,385)
Profit for the period – restated	–	–	–	7,370	7,370
Other Comprehensive income/(loss)	–	(443)	28	22,872	22,457
Transactions with owners					
Share-based payments	–	–	–	649	649
As at 27 March 2020 (restated)	48,644	321	(26)	25,057	73,996
Profit for the period	–	–	–	21,775	21,775
Other Comprehensive income/(loss)	–	615	20	(12,860)	(12,225)
Transactions with owners					
Issue of shares	43	–	–	(43)	–
Share-based payments	–	–	–	1,372	1,372
As at 26 March 2021	**48,687**	**936**	**(6)**	**35,301**	**84,918**

The total equity is attributable to the equity shareholders of the parent company Studio Retail Group plc.

Notes to the Consolidated Financial Statements

1 General information and accounting policies

Studio Retail Group plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 50. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 1 to 49.

These financial statements are presented in sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the accounting policies set out below.

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The Parent Company's financial statements present information about the Company as a separate entity and not about its group.

Basis of accounting

The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the group financial statements, International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The parent Company financial statements have been prepared in accordance with UK Accounting Standards, including FRS 101 Reduced Disclosure Framework. The financial statements have been prepared on the going concern basis as set out below. The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments and pension assets.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements. In accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, the comparative income statement has been re-presented so that the disclosures in relation to discontinued operation relate to all operations that have been discontinued by the balance sheet date (see note 5).

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

Impact of accounting standards not yet effective

At the balance sheet date, no Standards or Interpretations were in issue but not yet effective that are expected to have a material impact on the Group's financial position.

Going concern

The directors have adopted the going concern basis in preparing these financial statements after assessing the principal risks and having considered the impact of severe but plausible downside scenarios for COVID-19. The Group is financed by a securitisation facility and a Revolving Credit Facility ("RCF") as disclosed in note 18. The directors considered the impact of the current COVID-19 environment on the business, as disclosed in the strategic report, for the next 12 months, the viability period and the longer term. Whilst there is inherent uncertainty in forecasts caused by COVID-19, the directors have considered a number of impacts on sales, profits and cash flows.

The directors have assumed that the Group's operations remain open and that we will continue to be able to serve our customers in the event of any further national lockdowns, as we have done since March 2020. The downside sensitivities considered include a reduction in new customer growth and existing customer spend, the level of future forecast revenue and gross margin growth as well the impact of economic factors (particularly unemployment rates) on the ability of the Group's customer base to continue to shop with us and to service their credit accounts. The directors also considered the impact of these sensitivities occurring in combination. In the event that one of or a number of these downside scenario arise at the same time the directors consider they are able to take reasonable mitigating actions, which include but are not limited to, a reduction in discretionary capital expenditure and a reduction in discretionary marketing spend. Implementing these mitigating actions would enable the Group to continue to operate within its existing facilities during the forecast period.

Notes to the Consolidated Financial Statements
continued

1 General information and accounting policies continued

Going concern continued

The directors believe that the Group is well placed to manage its financing and other business risks satisfactorily, noting that further agreement would be required to make fresh drawings on the securitisation facility after 30 December 2022 and its RCF matures on 30 September 2024, and have a reasonable expectation that the Group will have adequate resources to continue in operation for at least 12 months from the signing date of these consolidated financial statements. They therefore consider it appropriate to adopt the going concern basis of accounting in preparing the consolidated financial statements.

Basis of consolidation

Subsidiaries

Subsidiaries are consolidated from the date on which control is transferred to the Group. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. They cease to be consolidated from the date that the Group no longer has control.

Structured entities are entities that are designed so that their activities are not governed by way of voting rights. In assessing whether the Group has power over such entities in which it has an interest, the Group considers factors such as the purpose and design of the entity; its practical ability to direct the relevant activities of the entity; the nature of the relationship with the entity; and the size of its exposure to the variability of returns of the entity.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The financial statements of all subsidiaries are prepared to the same reporting date as the Parent Company.

Segmental reporting

IFRS 8 requires operating segments to be identified on the basis of the internal financial information reported to the CODM ("Chief Operating Decision Maker") who is primarily responsible for the allocation of resources to segments and the assessment of performance of the segments. The CODM is the Board of Studio Retail Group plc.

The Group's operations are organised into a central cost centre and two operating segments as follows:

- Studio; and
- Education.

The CODM assess the operating performance of each segment by reference to revenue and gross margin by revenue stream, and operating profit after distribution, marketing and administration costs, depreciation and amortisation.

Income statement presentation

Individually significant items

As permitted by IAS 1 'Presentation of financial statements', an item is disclosed separately if it is considered unusual by its nature or scale and is of such significance that separate disclosure is required in the financial statements in order to fairly present the financial performance of the Group. Such items are referred to as individually significant items and are described in note 4.

Non-current assets held for sale and discontinued operations

A non-current asset or a group of assets containing a non-current asset (a disposal group) is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year.

1 General information and accounting policies continued

Non-current assets held for sale and discontinued operations continued

On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to profit or loss. The same applies to gains and losses on subsequent remeasurement although gains are not recognised in excess of any cumulative impairment loss. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation has been discontinued from the start of the comparative period.

Findel Education

As at 27 March 2020 the Group's Education business was classified as a discontinued operation as defined by IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Due to the CMA's provisional findings, the planned transaction did not proceed to completion and therefore we have restated the comparative consolidated income statement for the 52-week period to 27 March 2020 and the consolidated balance sheet as at 27 March 2020 to present the results of Findel Education as a continuing operation. An adjustment has also been made to opening equity to reinstate £1,710,000 of depreciation and amortisation that was not charged for the 26-week period to 27 March 2020 (i.e. the period during which Findel Education was classified as held for sale). This adjustment carries a deferred tax impact of £325,000, therefore the net impact to opening reserves is £1,385,000.

On 16 April 2021 the Group's Education business was sold to West Moorland 221 Limited, a newly formed company owned by investment funds managed by Endless LLP. At 26 March 2021 the business met the criteria to be accounted for as held for sale and as a discontinued operation as defined by IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Education's results have therefore been separated out in the consolidated income statement for the 52-week period ended 26 March 2021, and its assets and liabilities have been classified as held for sale in the consolidated balance sheet at 26 March 2021. In addition, the comparative figures given in the consolidated income statement for the 52-week period ended 27 March 2020 has been restated to show the results from this discontinued operation separately, in order to enhance the comparability of the results of the Group's ongoing businesses. Further details are given in note 5.

The restated Consolidated Income Statement and Consolidated Balance Sheet shown below summarise the restatements made.

Reclassification of software

During the period, management performed a review of the Group's accounting policies and identified that software that had previously been disclosed within property, plant and equipment and should been disclosed within intangible assets. Consequently, software with a net book value £18,668,000 at 27 March 2020 has been reclassified from property plant and equipment to intangible assets. This is a balance sheet reclassification only and has no impact on the income statement or net assets. A third balance sheet has not been presented as management consider that this reclassification does not have material effect on the information in the statement of financial position at the beginning of the preceding period, since the impact on net assets is £nil and the total value of non-current assets remains unchanged. The group have considered the tax consequences of this adjustment and have conclude that there is no impact.

The restated Consolidated Balance Sheet shown below summarises the restatement made.

Notes to the Consolidated Financial Statements
continued

1 General information and accounting policies continued
Restated Condensed Consolidated Income Statement

	Notes	As reported £000	Restatement of discontinued operations £000	As restated £000
Continuing operations				
Revenue		330,352	–	330,352
Credit account interest		104,542	–	104,542
Total revenue (including credit interest)		434,894	–	434,894
Cost of sales		(208,924)	–	(208,924)
Impairment losses on customer receivables		(53,930)	–	(53,930)
Gross profit		172,040	–	172,040
Trading costs	3	(157,356)	–	(157,356)
Analysis of operating profit:				
– EBITDA*		29,389	–	29,389
– Depreciation, amortisation and impairment		(14,705)	–	(14,705)
Operating profit	3	14,684	–	14,684
Finance costs	6	(10,491)	–	(10,491)
Profit before tax and fair value movements on derivative financial instruments		4,193	–	4,193
Fair value movements on derivative financial instruments		2,608	–	2,608
Profit before tax		6,801	–	6,801
Tax income	7	241	–	241
Profit from continuing operations	8	7,042	–	7,042
Discontinued operation				
Profit from discontinued operation, net of tax		1,713	(1,385)	328
Profit for the period		8,755	(1,385)	7,370
Profit attributable to owners of the parent		8,755	(1,385)	7,370
Earnings per ordinary share				
from continuing operations				
Basic	10	8.16	–	8.16
Diluted		8.12	–	8.12
from discontinued operation				
Basic	10	1.98	(1.60)	0.38
Diluted		1.97	(1.59)	0.38
total attributable to ordinary shareholders				
Basic	10	10.14	(1.60)	8.54
Diluted		10.09	(1.59)	8.50

1 General information and accounting policies continued

Restated Consolidated Balance Sheet

at 27 March 2020

	As reported £'000	Restatement of assets held for sale £'000	Software reclassification £'000	Restated £'000
Non-current assets				
Intangible assets	9	23,160	18,668	**41,837**
Property, plant and equipment	80,007	6,805	(18,668)	**68,144**
Derivative financial instruments	2	–	–	**2**
Retirement benefit surplus	31,695	–	–	**31,695**
Deferred tax assets	–	3,172	–	**3,172**
	111,713	33,137	–	**144,850**
Current assets				
Inventories	42,827	15,998	–	**58,825**
Trade and other receivables	235,227	10,013	–	**245,240**
Derivative financial instruments	3,250	–	–	**3,250**
Cash and cash equivalents	33,163	–	–	**33,163**
Current tax assets	1,718	–	–	**1,718**
Current assets excluding assets held for sale	316,185	26,011	–	**342,196**
Assets classified as held for sale	60,570	(60,570)	–	**–**
Total current assets	376,755	(34,559)	–	**342,196**
Total assets	488,468	(1,422)	–	**487,046**
Current liabilities				
Trade and other payables	(57,908)	(19,035)	–	**(76,943)**
Lease liabilities	(6,035)	(818)	–	**(6,853)**
Derivative financial instruments	(36)	–	–	**(36)**
Provisions	(4,335)	–	–	**(4,335)**
Bank loans	–	–	–	**–**
Current liabilities excluding liabilities held for sale	(68,314)	(19,853)	–	**(88,167)**
Liabilities directly associated with the assets held for sale	(24,684)	24,684	–	**–**
Total current liabilities	(92,998)	4,831	–	**(88,167)**
Non-current liabilities				
Bank loans	(282,591)	–	–	**(282,591)**
Lease liabilities	(37,461)	(4,831)	–	**(42,292)**
Provisions	–	–	–	**–**
Deferred tax liabilities	(37)	37	–	**–**
	(320,089)	(4,794)	–	**(324,883)**
Total liabilities	(413,087)	37	–	**(413,050)**
Net assets	75,381	(1,385)	–	**73,996**
Equity				
Share capital	48,644	–	–	**48,644**
Translation reserve	321	–	–	**321**
Hedging reserve	(26)	–	–	**(26)**
Retained earnings	26,442	(1,385)	–	**25,057**
Total equity	75,381	(1,385)	–	**73,996**

Notes to the Consolidated Financial Statements
continued

1 General information and accounting policies continued

Fair value movements on derivative financial instruments

Fair value movements in respect of foreign currency derivative financial instruments are presented separately in the Consolidated Income Statement on the basis that they represent gains or losses that may be recognised in future periods as the instruments in place unwind.

Alternative performance measures ("APM's")

The Directors use several Alternative Performance Measures that are considered to provide useful information about the performance and underlying trends facing the Group. As these APMs are not defined by IFRS, they may not be comparable with APMs shown in other companies' accounts. They are not intended to be a replacement for, or be superior to, IFRS measures.

Revenue recognition

Revenue comprises the fair value of the sale of products and services to external customers, net of value added tax, rebates, discounts and returns. Revenue is recognised according to the five-step model set out in IFRS 15 as follows:

1. Identify the contract(s) with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognise revenue when (or as) the entity satisfied a performance obligation.

Product revenue

Revenue is recognised when the Group has completed its performance obligations which are the supply and delivery of products and that these obligations are deemed to be completed when the customer obtains control of the products (i.e. on delivery). The supply and delivery of products are not deemed to be separable performance obligations as the customer is obliged to make use of the Group's delivery arrangements in 127 most cases.

A provision for estimated returns is made based upon past experience and trends. Trade debtors are reduced by the gross sales value, whilst an adjustment is made to stock and other payables to reflect the equivalent cost of sale.

Financial services revenue

Financial services revenue, which includes interest charged on trade receivables in Studio Retail and non-interest related financial income is recognised on a time-proportion basis, using the effective interest method in the case of interest charged and when the relevant service has been provided to the customer in the case of non-interest related financial income.

Volume based discounts and other arrangements with suppliers

Studio Retail entered into volume-based discount agreements with suppliers in both the current and prior period. Discounts are calculated annually based upon an agreed percentage of purchases made from suppliers with which an agreement is in place. The majority of agreements are aligned with the financial year and therefore there is limited estimation uncertainty associated with the calculation of these discounts. Discounts are agreed with suppliers prior to being recorded in the Consolidated Income Statement. In most cases, the discount is set off against outstanding invoices and therefore classified within cost of sales.

Studio Retail also receive contributions from suppliers in exchange for their products being listed in publications. These contributions are agreed with suppliers on a case by case basis.

The value of volume-based discounts and contributions received in the period ended 26 March 2021 was approximately £4.4m (2020: £3.2m) which represents approximately 1.5% (2020: 1.5%) of product cost of sales.

1 General information and accounting policies continued

Classification of costs

Costs are classified to the appropriate income statement category based on the nature of cost incurred. A review is undertaken prior to recognition to ensure correct classification.

Foreign currency translation

Functional and presentational currency

Both the consolidated and Company's financial statements are presented in sterling, which is the Company's and most of its subsidiaries' functional and presentational currency. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

Transactions and balances

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate prevailing at the balance sheet date. Translation differences on monetary items are recorded in the income statement.

Translation differences on non-monetary items are reported as part of the fair value gain or loss and are included in either equity (through the translation reserve) or the income statement as appropriate.

Overseas operations

The results and financial position of the Group's overseas operations are translated into sterling as follows:

- assets and liabilities are translated at the closing rate at the date of that balance sheet;
- income and expenses are translated at the average exchange rate for the period, being an approximation for the prevailing exchange rate at the date of those transactions; and
- all resulting exchange differences are recognised as a separate component of equity (translation reserve).

On consolidation, exchange differences arising from the translation of the net investment in overseas operations are recorded in other comprehensive income. Tax charges and credits attributable to those exchange differences are recorded in other comprehensive income.

Share-based payments

The Group operates a number of equity-settled, share-based compensation plans.

The Group has applied the requirements of IFRS 2 Share-based payments.

The Group principally issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Fair value is usually measured by use of the Stochastic Valuation (aka "Monte-Carlo") model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Where the Parent Company grants rights to its equity instruments to the Group's or the Company's employees, which are accounted for as equity-settled in the consolidated accounts of the Parent, the appropriate company accounts for these share-based payments as equity-settled.

Notes to the Consolidated Financial Statements
continued

1 General information and accounting policies continued

Property, plant and equipment

Property, plant and equipment are held at cost less accumulated depreciation and any impairment in value.

Depreciation is charged on a straight-line basis as follows:

- Freehold properties are depreciated over 50 years;
- Leasehold premises with lease terms of 50 years or less are depreciated over the remaining period of the lease;
- Plant and equipment is depreciated over 3 to 20 years according to the estimated life of the asset;
- Equipment on hire or lease is depreciated over the period of the lease; and
- Land is not depreciated.

Assets held in the course of construction are not depreciated until they are brought into use.

Software and IT development costs

Expenditure on IT software development is recognised as an internally-generated intangible asset up to the point where the main project becomes ready for use, and only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives of 3 to 7 years. Where no internally-generated intangible asset can be recognised, expenditure is recognised as an expense in the period in which it is incurred.

Intangible assets

Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill, if those assets are separable and their fair value can be measured reliably.

The cost of intangible assets with finite useful economic lives is amortised on a straight-line basis over that period. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Brand names

Legally protected or otherwise separable trade names acquired as part of a business combination are capitalised at fair value on acquisition. The fair value of brand names with finite useful economic lives is amortised on a straight-line basis over that period. Brand names that are assumed to have an indefinite life and are not amortised, but are subject to annual impairment tests.

Customer relationships

Contractual and non-contractual customer relationships acquired as part of a business combination are capitalised at fair value on acquisition and amortised on a straight-line basis over a period of between 2 and 20 years, representing the directors' best estimate of their useful economic lives.

1 General information and accounting policies continued

Financial instruments

(i) Recognition and initial measurement

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial Assets

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL").

A financial asset will be measured at amortised cost if both the following conditions are met and it has not been designated as at FVTPL:

- the asset is held within a business model whose objective is to hold the asset to collect its contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows on specified dates that represent payments of solely principal and interest on the outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets

Financial assets – business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income or realising cash flows from the sale of assets;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model and how those risks are managed;
- How managers of the business are compensated; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows; and
- terms that may adjust the contractual coupon rate.

Notes to the Consolidated Financial Statements
continued

1 General information and accounting policies continued

Impairment of financial assets
Assets that are not individually significant are assessed for impairment on a collective basis in accordance with the expected credit loss ("ECL") prescribed by IFRS 9.

As the Group has determined there is a significant financing component, the ECL model requires that assets are assessed for impairment using the following staging criteria:

- Stage 1: Where there is no evidence of significant increase in credit risk since the origination of the financial asset. Stage 1 applies from the initial recognition of the financial asset unless it was credit impaired when purchased or originated;
- Stage 2: Where there is evidence of significant increase in credit risk since origination of the financial asset; and
- Stage 3: Where the financial asset becomes credit impaired.

Impairment loss allowances are measured on the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are used for Stage 1 performing assets and a lifetime ECL is used for stages 2 and 3. An asset will move from Stage 1 to Stage 2 when there is evidence of significant increase in credit risk since the asset originated and into Stage 3 when it is credit impaired. Should the credit risk improve so that the assessment of credit risk at the reporting date is considered not to be significant any longer, assets return to an earlier stage in the ECL model.

Significant increase in credit risk
A financial asset is considered to have experienced a significant increase in credit risk since initial recognition where there has been a significant increase in the remaining lifetime probability of default of the asset.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, has been placed on an arrangement to pay less than the standard required minimum payment (except where a payment holiday was granted in response to Covid-19) or has had interest suspended.

In line with IFRS 9, a financial asset is considered to be in default when it is more than 90 days past due and/or when the borrower is unlikely to pay its obligations in full.

Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which the minimum payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment including forward looking information.

1 General information and accounting policies continued

Estimation uncertainty

The key assumptions in the ECL calculations are:

Probability of Default ("PD") - an estimate of the likelihood of default over 12 months and the expected lifetime of the debt;

Exposure at Default ("EAD") - an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by the contract or otherwise and accrued interest from missed payments; and

Loss Given Default ("LGD") - an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, discounted at the original effective interest rate. The key areas of estimation are around the value that the group will recover in respect of the defaulted debt and the timing of such recoveries.

Incorporation of forward-looking information

The Group incorporates forward-looking information into its measurement of ECLs. This is achieved by developing four potential economic scenarios and modelling ECLs for each scenario. The outputs from each scenario are combined; using the estimated likelihood of each scenario occurring to derive a probability weighted ECL.

Management judgement is required in setting assumptions around probabilities of default and the weighting of economic scenarios in particular which have a material impact on the results indicated by the ECL model.

Presentation

Loss allowances for financial assets are deducted from the gross carrying amount of the asset. Impairment losses related to Studio Retail's trade receivables are separately disclosed in the consolidated income statement.

Financial liabilities and equity

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

Equity instruments

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.

Where financial liabilities are extinguished by equity instruments issued the difference between the carrying value of the debt extinguished and the fair value of the equity instrument issued is recorded in the income statement.

Financial liabilities

The Group's financial liabilities are classified as either "fair value through profit and loss" or "other financial liabilities".

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Notes to the Consolidated Financial Statements
continued

1 General information and accounting policies continued

Finance costs
Finance costs principally include interest payable on bank loans and interest on lease liabilities. Finance costs are recognised in profit or loss as they accrue using the effective interest method.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and 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.

(iii) Derecognition
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Derivative financial instruments
The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges
When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss. If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve are immediately reclassified to profit or loss.
Cash flow hedges continued

1 General information and accounting policies continued

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate caps and swaps and foreign currency options. Further details of derivative financial instruments are disclosed in note 19 to the financial statements.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is calculated on a weighted average cost basis, and where applicable includes those costs that have been incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation but are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Taxation

The tax currently payable or receivable is based on taxable profit or loss for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred taxation arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. No deferred tax liability is recognised in respect of the initial recognition of goodwill. Deferred taxation is calculated using tax rates that are expected to apply when the related deferred taxation asset is realised or the deferred taxation liability is settled.

Deferred taxation assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Notes to the Consolidated Financial Statements
continued

1 General information and accounting policies continued

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material.

Leases

At inception of a contract, the Group assesses whether or not a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. When a lease is recognised in a contract the Group recognises a right of use asset and a lease liability at the lease commencement date.

The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease prepayments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property, plant and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of fixed lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. Lease interest is presented as Payments of lease liabilities within the consolidated cash flow statement.

The Group presents right of use assets in property, plant and equipment and leased liabilities in lease liabilities in the balance sheet.

The Group has applied the recognition exemption of low value leases. For these leases, the lease payments are charged to the income statement on a straight-line basis over the term of the lease.

Retirement benefit costs

The Group has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into an independently administered fund. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The cost of providing these benefits, recognised in the income statement, comprises the amount of contributions payable to the schemes in respect of the year.

For defined benefit retirement plans, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each balance sheet date.

2 Critical accounting judgements and key sources of estimation uncertainty

In the course of preparing the consolidated financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses.

Critical accounting judgements

Recognition of defined benefit pension surplus (note 26)

At 26 March 2021 the Group's defined benefit pension scheme showed a surplus of £20.8m (2020: £31.7m). This surplus has been recognised in the Group's consolidated balance sheet (and the surplus in respect of the Group and Galt Sections of the Scheme has been recognised in the Parent Company's Balance Sheet). In recognising the surplus, management exercised judgement as to whether the Company (as sponsoring employer) has an unconditional right to benefit from any pension surplus at some point in the future (through refunds of surplus or reductions in future contributions), in accordance with the requirements of IFRIC 14. Management concluded that this was the case.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Studio's trade receivables (note 15)

Studio's trade receivables are recognised on the balance sheet at amortised cost (i.e. net of provision for expected credit loss). At 26 March 2021 trade receivables with a gross value of £385.5m (2020: £317.8m) were recorded on the balance sheet, less a provision for impairment of £106.8m (2020: £101.8m).

An appropriate allowance for expected credit loss in respect of trade receivables is derived from estimates and underlying assumptions such as the Probability of Default and the Loss Given Default, taking into consideration forward looking macro-economic assumptions. Changes in the assumptions applied such as the value and frequency of future debt sales in calculating the Loss Given Default, and the estimation of customer repayments and Probability of Default rates, as well as the weighting of the macro-economic scenarios applied to the impairment model could have a significant impact on the carrying value of trade receivables.

These assumptions are continually assessed for relevance and adjusted appropriately. Revisions to estimates are recognised prospectively. Sensitivity analysis is given in note 15.

The macro-economic drivers that impact the bad debt charge are as follows:

- Annual changes in unemployment rate;
- Actual unemployment rate; and
- Changes in average weekly earnings.

The latest economic scenarios are heavily influenced by the impact of Covid-19 on the UK economy, in particular the impact on unemployment.

We consider four economic scenarios, and apply a weighting based on probability. These are:

- Upside
  Assumes unemployment would peak at 5.4% in financial Q3/Q4 before falling sharply as the economy returns more-or-less to normal by the March 2022.
- Baseline
  The economy is expected to contract in financial Q1 as the economy remains in lockdown for most of the quarter. But once restrictions are lifted, much of normal life would be quickly resumed. The economy is expected to regain the December 2019 level of GDP in mid-2022.
- Downside

Notes to the Consolidated Financial Statements
continued

2 Critical accounting judgements and key sources of estimation uncertainty continued

Studio's trade receivables (note 15) continued

A prolonged downturn in the economy, as ongoing consumer choose to retain rather than spend their savings. The unemployment rate peaks at 8% at the start of 2022 as workers leaving furlough struggle to find employment.

- Stress
  Assumes a prolonged, deep downturn, with the virus mutating and the vaccine proving less effective than hoped. Most of the country remains restricted through next winter, resulting in higher unemployment and a deterioration in customer payment performance as a result.

The table below summarises the peak employment levels assumed within each scenario, with the weightings we have applied to each.

	2021		2020	
Scenario	**Unemployment Peak**	**Weighting Applied**	Unemployment Peak	Weighting Applied
Upside	**c 5%**	**5%**	c 8%	25%
Baseline	**c 6%**	**50%**	c 10%	60%
Downside	**c 8%**	**35%**	c 14%	10%
Stress	**c 10%**	**10%**	c 20%	5%

We note that the impairment model was not designed to take into account changes to customer payment and default performance arising as a result of the Covid-19 pandemic, and that Covid-19 has inherently impacted the economic inputs of the model. Whilst we have not yet seen a significant increase in the level of customer arrears resulting from the pandemic, nor have we seen a reduction in customer payment rates, management's analysis of the arrears profile of the portfolio indicates that some customers have benefitedbenefited from the temporary regulatory support put in place by the government to protect jobs and incomes. We therefore believe that some of these customers are in a better, lower-provision state than will ultimately be appropriate. Judgement has therefore been applied in determining the year-end provision, which has increased it by approximately £13m from the central level derived from the normal forecasting model.

We note that the unprecedented level of uncertainty around the impact of Covid-19 on the UK economy as a whole, and subsequently on our customer base, continues to cause challenges in assessing bad debt on a forward-looking basis.

Discount rate for pension scheme liabilities (note 26)

At 26 March 2021 the Group's defined benefit pension scheme showed a surplus of £20.8m (2020: £31.7m). Management makes use of the PwC Single Agency corporate bond yield curve to derive the discount rate applied to the scheme's projected cash flows, in the calculation of its liabilities under IAS 19. Changes to the discount rate applied could lead to significant changes in the level of pension obligation recognised. Sensitivity analysis in this regard can be found in note 26.

The carrying amounts of the assets and liabilities detailed above are sensitive to the underlying assumptions used by management in their calculation. It is reasonably possible that the outcomes within the next financial year could differ from the assumptions made, which would impact upon the carrying values assumed.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any of the future periods affected.

Other key accounting estimates which, although important estimates, are not considered to be a significant risk of resulting in a material adjustment within the next financial year are as follows:

2 Critical accounting judgements and key sources of estimation uncertainty continued

Inventory provisioning (note 14)

The Group carries significant amounts of inventory against which there are provisions for slow moving and delisted products. At 26 March 2021 a provision of £3.6m (2020 restated: £1.9m) was held against a gross inventory value of £41.4m (2020 restated: £60.8m).

Provisions are made against inventory based upon its location, the planned method of sale, the age of inventory and the level of holding compared to forecast sales levels. The provisioning calculations require a high degree of judgement in assessing which lines require provisioning against and the use of estimates around historical recovery rates for slow moving and delisted products.

If a further 10% of lines were assessed as being slow moving, then the provision required would increase by approximately £150,000. If the recovery rate assumed decreased by 10% then the provision would increase by approximately £250,000. These sensitivities reflect management's assessment of reasonably possible changes to key assumptions which could result in adjustments to the level of provision within the next financial year.

Carrying value of right of use assets (note 13)

The Group has rights of use assets of £30.7m as at 26 March 2021 (2020 restated: £39.4m) which is primarily made up of property leases. These assets are held at cost less accumulated depreciation and are tested annually for impairment. Tests for impairment are primarily based on the calculation of a value in use for each cash generating unit. This involves the preparation of discounted cash flow projections, which require an estimate of both future operating cash flows and an appropriate discount rate.

In determining the length of lease terms, the Group has made a judgement based on the likelihood of extension, if applicable, based on current and expected usage of the asset.

3 Segmental analysis

Operating segments

IFRS 8 requires operating segments to be identified on the basis of the internal financial information reported to the CODM who is primarily responsible for the allocation of resources to segments and the assessment of performance of the segments. The CODM is the Board of Studio Retail Group plc.

The Group's continuing operations are organised into a central cost centre and Studio.

The CODM assess the operating performance of each segment by reference to revenue and gross margin by revenue stream, EBITDA and operating profit after distribution, marketing and administration costs, depreciation and amortisation. Information about these operating segments is presented below.

Notes to the Consolidated Financial Statements
continued

3 Segmental analysis continued
52 weeks ended 26 March 2021

	Continuing operations			Discontinued operation	Group
	Studio £000	Central £000	Total £000	Education £000	Total £000
Product revenue	445,361	–	445,361	71,432	516,793
Other financial services revenue	16,922	–	16,922	–	16,922
Credit account interest	116,303	–	116,303	–	116,303
Financial services revenue	133,225	–	133,225	–	133,225
Sourcing revenue	15	–	15	–	15
Reportable segment revenue	578,601	–	578,601	71,432	650,033
Product cost of sales	(285,556)	–	(285,556)	(46,686)	(332,242)
Financial services cost of sales	(45,689)	–	(45,689)	–	(45,689)
Sourcing costs of sales	–	–	–	–	–
Total cost of sales	(331,245)	–	(331,245)	(46,686)	(377,931)
Gross profit	247,356	–	247,356	24,746	272,102
Marketing costs	(34,457)	–	(34,457)	(2,120)	(36,577)
Distribution costs	(49,397)	–	(49,397)	(4,968)	(54,365)
Administrative costs	(90,763)	229	(90,534)	(14,867)	(105,401)
EBITDA*	72,739	229	72,968	2,791	75,759
Depreciation and amortisation	(10,995)	(3,986)	(14,981)	(3,232)	(18,213)
Operating profit before individually significant items	61,744	(3,757)	57,987	(441)	57,546
Individually significant items	–	(1,053)	(1,053)	(13,561)	(14,614)
Operating profit	61,744	(4,810)	56,934	(14,002)	42,932
Finance costs			(9,175)	(272)	(9,447)
Profit before tax and fair value movements on derivative financial instruments			47,759	(14,274)	33,485
Fair value movements on derivative financial instruments			(6,085)	–	(6,085)
Profit before tax			41,674	(14,274)	27,400

* Earnings before interest, tax, depreciation, amortisation, fair value movements on derivative financial instruments and individually significant items.

3 Segmental analysis continued
52 weeks ended 27 March 2020 (restated)

	Continuing operations			Discontinued operation	Group
	Studio £000	Central £000	Total £000	Education £000	Total £000
Product revenue	311,697	–	311,697	79,940	391,637
Other financial services revenue	18,617	–	18,617	–	18,617
Credit account interest	104,542	–	104,542	–	104,542
Financial services revenue	123,159	–	123,159	–	123,159
Sourcing revenue	38	–	38	–	38
Reportable segment revenue	434,894	–	434,894	79,940	514,834
Product cost of sales	(208,924)	–	(208,924)	(51,573)	(260,497)
Financial services cost of sales	(53,930)	–	(53,930)	–	(53,930)
Sourcing costs of sales	–	–	–	–	–
Total cost of sales	(262,854)	–	(262,854)	(51,573)	(314,427)
Gross profit	172,040	–	172,040	28,367	200,407
Marketing costs	(31,661)	–	(31,661)	(3,161)	(34,822)
Distribution costs	(37,372)	–	(37,372)	(5,121)	(42,493)
Administrative costs	(70,508)	2,538	(67,970)	(14,025)	(81,995)
EBITDA*	32,499	2,538	35,037	6,060	41,097
Depreciation and amortisation	(9,773)	(3,773)	(13,546)	(3,720)	(17,266)
Operating profit before individually significant items	22,726	(1,235)	21,491	2,340	23,831
Individually significant items	(5,648)	(1,159)	(6,807)	(1,535)	(8,342)
Operating profit	17,078	(2,394)	14,684	805	15,489
Finance costs			(10,491)	(507)	(10,998)
Profit before tax and fair value movements on derivative financial instruments			4,193	298	4,491
Fair value movements on derivative financial instruments			2,608	–	2,608
Profit before tax			6,801	298	7,099

* Earnings before interest, tax, depreciation, amortisation and fair value movements on derivative financial instruments.

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	Continuing operations			**Discontinued operation**	**Group**
	Studio £000	**Central £000**	**Total £000**	**Education £000**	**Total £000**
Additions to property plant and equipment and software and IT development costs	**16,426**	**–**	**16,426**	**898**	**17,324**
Balance Sheet					
Assets					
Segment assets	**439,056**	**–**	**439,056**	**45,287**	**484,343**
Central adjustments	**–**	**31,471**	**31,471**	**–**	**31,471**
Consolidated total assets	**439,056**	**31,471**	**470,527**	**45,287**	**515,814**
Liabilities					
Segment liabilities	**(269,716)**	**–**	**(269,716)**	**(18,715)**	**(288,431)**
Central adjustments	**–**	**(142,465)**	**(142,465)**	**–**	**(142,465)**
Consolidated total liabilities	**(269,716)**	**(142,465)**	**(412,181)**	**(18,715)**	**(430,896)**

Notes to the Consolidated Financial Statements
continued

3 Segmental analysis continued
2020
Other information

	Continuing operations			Discontinued operation	Group
	Studio £000	Central £000	Total £000	Education £000	Total £000
Additions to property plant and equipment and software and IT development costs	13,688	1	13,689	1,133	14,822
Balance Sheet					
Assets					
Segment assets	373,887	–	373,887	59,185	433,072
Central adjustments	–	53,974	53,974	–	53,974
Consolidated total assets	373,887	53,974	427,861	59,185	487,046
Liabilities					
Segment liabilities	(262,837)	–	(262,837)	(24,684)	(287,521)
Central adjustments	–	(125,529)	(125,529)	–	(125,529)
Consolidated total liabilities	(262,837)	(125,529)	(388,366)	(24,684)	(413,050)

The segment assets and liabilities above include intercompany balances which eliminate on consolidation but appear in the information presented to the CODM. Central adjustments primarily relate to the elimination of intercompany balances on consolidation, intangible assets arising on consolidation, defined benefit pension surplus as well as current tax balances and deferred tax. These are shown against the central cost centre in the information presented to the CODM.

Geographical segments
The Group's operations are located in the United Kingdom and Asia.

The following table provides an analysis of the Group's revenue (including credit account interest) by geographical market, irrespective of the origin of the goods/services.

	2021			2020		
	Continuing operations £000	**Discontinued operations £000**	**Total £000**	Continuing operations £000	Discontinued operations £000	Total £000
United Kingdom	**578,586**	**65,920**	**644,506**	434,856	71,870	506,726
Europe	**-**	**1,548**	**1,548**	-	2,184	2,184
Asia	**15**	**3,151**	**3,166**	38	4,806	4,844
Other	**-**	**813**	**813**	-	1,080	1,080
	578,601	**71,432**	**650,033**	434,894	79,940	514,834

The following is an analysis of the carrying amount of non-current assets analysed by geographical area in which the assets are located.

	2021 £'000	2020 (restated) £'000
United Kingdom	**103,340**	144,503
Asia	**188**	347
	103,528	144,850

Major customers
The Group has no transactions with any single customer that amounts to more than 10% of the Group's total revenue in either the period ended 26 March 2021, or the period ended 27 March 2020.

4 Individually significant items

An analysis of individually significant items arising during the current and prior periods is as follows:

Continuing operations

	2021 £000	2020 £'000
Strategic review costs	**(750)**	–
GMP equalisation adjustment	**(825)**	–
Reversal of impairment/(impairment) of right of use asset	**522**	(1,159)
Studio financial services redress and refund costs	**–**	(5,648)
	(1,053)	(6,807)
Tax credit in respect of individually significant items	**200**	1,293
Total	**(853)**	(5,514)

Discontinued operation

	2021 £000	2020 £'000
Disposal costs	**(2,486)**	(1,535)
Impairment of intangible assets	**(11,075)**	–
	(13,561)	(1,535)
Tax credit in respect of individually significant items	**2,577**	292
Total	**(10,984)**	(1,243)

Costs of £750,000 were incurred in respect of the strategic review which was undertaken by the business during the period.

In October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The latest ruling in November 2020, the 'Lloyds III judgment', concluded that schemes will now need to review past transfer values and consider whether any top up would be required to equalise those benefits. There is no limit to the look back period and Trustees will need to consider any transfer values paid where a member has accrued service between 17 May 1990 and 5 April 1997. After discussion with the trustees, actuaries and legal advisors of our fund, a past service cost of £825,000 was recognised in the current period to address this historical issue.

During the period the Group reassessed the use of the Hyde property which resulted in an impairment reversal of £522,000. A prior period charge of £1,159,000 was recorded in respect of the impairment of the right of use asset for the Group's property at Hyde following Education being classified as held for sale from September 2019 onwards. The right of use asset in respect of the Hyde property was assessed for impairment individually rather than part of a cash generating unit.

A charge of £5,648,000 was recorded in the prior period in respect of an increase in provisions for redress and refunds for flawed financial services products.

Disposal costs of £2,486,000 were incurred during current period (2020: £1,535,000) in relation to the aborted sale of Education to YPO and the subsequent sale to West Moorland 221 Limited. These costs have been disclosed within the result from discontinued operation in accordance with IFRS 5.

An impairment of £11,075,000 has been recorded against the intangible assets of the Education business. This has been calculated based on the FVLCS following the disposal of the business. For further details, please refer to note 5.

Notes to the Consolidated Financial Statements
continued

5 Discontinued operation

On 16 April 2021, the Group entered into a definitive agreement for the sale of Findel Education Limited to West Moorland 221 Limited, a newly formed company owned by investment funds managed by Endless LLP for a gross consideration of £30.0 million on a debt free, cash free basis paid in cash on completion. In addition to the consideration, the Group has made available a working capital facility of £2.0 million to Findel Education. The net cash proceeds were used to make a voluntary payment to the Group's defined benefit pension fund of £9.0 million with the remainder used to reduce the Group's net debt.

An impairment review was conducted using the fair value less costs to sell (FVLCS) methodology. FVLCS was compared to the carrying value of the assets of the disposal group at 26 March 2021. An impairment of £11,075,000 was indicated and was recorded against the brand names allocated to the Education CGU.

Education's results for the 52-week period to 26 March 2021 and the 52-week period to 27 March 2020 have been presented to show the discontinued operation separately from continuing operations and are summarised below:

	52 weeks ended 26.03.21 £000	52 weeks ended 27.03.20 (restated) £000
Revenue	**71,432**	79,940
Expenses	**(85,706)**	(79,642)
(Loss)/profit before tax	**(14,274)**	298
Tax charge	**2,979**	30
(Loss)/profit for the period	**(11,295)**	328

The major classes of assets and liabilities as at 26 March 2021 were as follows:

	26.03.21 £000
Assets	
Intangible assets	**11,012**
Tangible assets	**5,420**
Deferred tax assets	**5,514**
Inventories	**11,455**
Trade and other receivables	**11,886**
	45,287
Liabilities	
Trade and other payables	**(13,622)**
Lease liabilities	**(5,093)**
	(18,715)
Net assets of disposal group	**26,572**

The net cash flow used in Education during the period was as follows:

	52 weeks ended 26.03.21 £000
Operating cash flows	**(5,259)**
Investing cash flows	**(897)**
Financing cash flows	**5,028**
Net cash flow	**(1,128)**

6 Finance costs

	2021 £'000	2020 £'000
Interest on bank loans	**(8,110)**	(8,677)
Net interest income on defined benefit pension obligations (note 26)	**844**	56
Fair value movements on interest rate caps used as hedged instruments	**(22)**	(45)
Interest expenses on leases	**(1,887)**	(1,825)
	(9,175)	(10,491)

7 Current taxation

(a) Tax charged/(credited) in the income statement

	2021 £000	2020 restated £000
Current tax expense:		
Current period (UK tax)	**6,477**	1,104
Current period (overseas tax)	**10**	166
Adjustments in respect of prior periods (UK tax)[2]	**(45)**	(986)
	6,442	284
Deferred tax expense:		
Origination and reversal of temporary differences	**1,711**	(96)
Adjustments in respect of prior periods[1][2]	**451**	998
Impact of change in rate of corporation tax	**–**	(1,427)
	2,162	(525)
Tax expense/(credit) from continuing operations	**8,604**	(241)

(1) The prior period adjustment in FY21 relates to a correction of the current tax relief expected to be obtained in respect of the adjustment made on the adoption of IFRS 9.

(2) The prior period adjustment in FY20 relates to the tax treatment of a post balance sheet event recorded in the statutory accounts of Studio Retail Limited, which resulted in the Group's current tax liability for 2019/20 being lower than the level assumed in the FY20 accounts. This led to a reduction in the level of brought short-term temporary differences, which resulted in a corresponding adjustment to deferred tax.

The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. As at 26 March 2021 the Group held current tax assets of £507,000 (2020: £1,718,000).

(b) Tax recognised directly in other comprehensive income

	2021 £000	2020 £000
Deferred tax:		
Tax on defined benefit pension plans	**(3,017)**	4,043

Notes to the Consolidated Financial Statements
continued

7 Current taxation continued

(c) Reconciliation of the total tax charge/(income)

The tax expense in the income statement for the period differs from the standard rate of corporation tax in the UK of 19% (2020: 19%).

The differences are reconciled below:

	2021 £000	2020 restated £000
Profit before tax	**41,674**	6,801
Tax calculated at standard corporation tax rate of 19% (2020: 19%)	**7,918**	1,292
Effects of:		
Expenses not deductible for tax purposes	**293**	21
Higher tax rates on overseas earnings	**(9)**	144
Deferred tax asset not previously recognised	**(4)**	(283)
Impact of change in rate of corporation tax on deferred tax balances	**–**	(1,427)
Adjustments in respect of prior periods	**406**	12
Total tax expense/(credit) for the period	**8,604**	(241)

8 Profit for the period

	2021			2020		
	Continuing operations £000	Discontinued operation £000	Total £000	Continuing operations £000	Discontinued operation £000	Total £000
Stated after (charging)/crediting:						
Cost of inventories recognised as expense	**(284,111)**	**(43,353)**	**(327,464)**	(206,608)	(48,864)	(255,472)
Impairment charge for inventories (note 14)	**(2,536)**	**(548)**	**(3,084)**	(1,169)	(83)	(1,252)
Fair value movements on derivate financial instruments:						–
– forward foreign currency contracts	**(6,085)**	**–**	**(6,085)**	2,608	–	2,608
– Interest rate caps	**(22)**	**–**	**(22)**	(45)	–	(45)
Depreciation of property, plant and equipment						–
– owned	**(5,252)**	**(471)**	**(5,723)**	(9,069)	(616)	(9,685)
– right of use assets	**(6,414)**	**(587)**	**(7,001)**	(4,473)	(795)	(5,268)
Expenses relating to low value asset leases	**(6,730)**	**(342)**	**(7,072)**	(6,043)	(337)	(6,380)
Impairment of property, plant and equipment	**(630)**	**–**	**(630)**	(1,300)	–	(1,300)
Amortisation of intangible assets	**(3,315)**	**(2,174)**	**(5,489)**	(4)	(2,309)	(2,313)
Impairment charge for receivables (note 15)	**(45,689)**	**–**	**(45,689)**	(53,930)	–	(53,930)
Staff costs (note 9)	**(56,405)**	**(13,829)**	**(70,234)**	(53,350)	(13,631)	(66,981)

8 Profit for the period continued

Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2021 £'000	2020 £'000
Audit of these financial statements	**160**	155
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the Company	**365**	347
Total audit fees	**525**	502
Half year review	**46**	45
Services relating to corporate finance transactions	**–**	210
Total audit and non-audit fees	**571**	757

9 Staff costs and directors' emoluments

(a) Staff costs

The average monthly number of employees (including executive directors) was as follows:

	2021			2020		
	Continuing operations No.	**Discontinued operation No.**	**Total No.**	Continuing operations No.	Discontinued operation No.	Total No.
Administration	**828**	**186**	**1,014**	996	199	1,195
Selling and distribution	**875**	**92**	**967**	614	94	708
	1,703	**278**	**1,981**	1,610	293	1,903

	2021			2020		
	Continuing operations £000	**Discontinued operation £000**	**Total £000**	Continuing operations £000	Discontinued operation £000	Total £000
Wages and salaries	**48,948**	**12,345**	**61,293**	46,992	12,244	59,236
Social security costs	**4,497**	**901**	**5,398**	4,164	992	5,156
Other pension costs	**1,774**	**397**	**2,171**	1,627	313	1,940
Share-based payments expense	**1,186**	**186**	**1,372**	567	82	649
	56,405	**13,829**	**70,234**	53,350	13,631	66,981

(b) Directors' emoluments

Directors' emoluments, which are included in the above and are detailed further in the Directors' Remuneration Report on pages 68 to 95, are as follows:

	2021 £000	2020 £'000
Short-term employee benefits	**2,493**	1,223
Company pension contributions	**147**	131
Long-term incentives	**567**	519
	3,207	1,873

One (2020: One) of the directors is accruing pension benefits under the Group's defined contribution pension scheme. No directors (2020: none) are accruing benefits under the Group's defined benefit pension scheme.

In the current period 431,346 (2020: 376,200) £nil cost options over ordinary shares were granted to directors in respect of the Performance Share Plan.

Notes to the Consolidated Financial Statements
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10 Earnings per share
Earnings per share figures for the 52-week period ended 27 March 2020 have been restated to reflect the presentation of the results of Education as a discontinued operation as defined by IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Weighted average number of shares

	2021 No. of shares	2020 No. of shares
Ordinary shares in issue at the start of the period (note 23)	**86,442,534**	86,442,534
Effect of share issue	**122,596**	–
Effect of own shares held	**(49,598)**	(114,808)
Weighted average number of shares – basic	**86,515,532**	86,327,726
Impact of potentially dilutive share options	**1,946,164**	412,383
Weighted average number of shares – diluted	**88,461,696**	86,740,109

From continuing operations
Earnings attributable to ordinary shareholders

	2021 £000	2020 £000
Net profit attributable to equity holders for the purposes of basic earnings per share	**33,070**	7,042
Individually significant items (net of tax)	**853**	5,514
Fair value movements on derivative financial instruments (net of tax)	**4,929**	(2,112)
Net profit attributable to equity holders for the purposes of adjusted earnings per share	**38,852**	10,444
Earnings per share		
Earnings per share – basic	**38.22**	8.16
Earnings per share – adjusted* basic	**44.91**	12.10
Earnings per share – diluted	**37.38**	8.12
Earnings per share – adjusted* diluted	**43.92**	12.04

* Adjusted to remove the impact of individually significant items and fair value movements on derivative financial instruments.

From discontinued operation
(Loss)/earnings attributable to ordinary shareholders

	2021 £000	2020 £000
Net (loss)/profit attributable to equity holders for the purposes of basic earnings per share	**(11,295)**	328
Individually significant items (net of tax)	**10,984**	1,243
Fair value movements on derivative financial instruments (net of tax)	**–**	–
Net (loss)/profit attributable to equity holders for the purposes of adjusted earnings per share	**(311)**	1,571
(Loss)/earnings per share		
(Loss)/earnings per share – basic	**(13.06)**	0.38
(Loss)/earnings per share – adjusted* basic	**(0.36)**	1.82
(Loss)/earnings – diluted	**(12.77)**	0.38
(Loss)/earnings per share – adjusted* diluted	**(0.35)**	1.81

* Adjusted to remove the impact of individually significant items and fair value movements on derivative financial instruments.

10 Earnings per share continued

Total attributable to ordinary shareholders

Earnings attributable to ordinary shareholders

	2021 £000	2020 £000
Net profit attributable to equity holders for the purposes of basic earnings per share	**21,775**	7,370
Individually significant items (net of tax)	**11,837**	6,757
Fair value movements on derivative financial instruments (net of tax)	**4,929**	(2,112)
Net profit attributable to equity holders for the purposes of adjusted earnings per share	**38,541**	12,015
Earnings per share		
Earnings per share – basic	**25.16**	8.54
Earnings per share – adjusted* basic	**44.55**	13.92
Earnings per share – diluted	**24.61**	8.50
Earnings per share – adjusted* diluted	**43.57**	13.85

* Adjusted to remove the impact of individually significant items and fair value movements on derivative financial instruments.

The earnings per share attributable to convertible ordinary shareholders is £nil. The convertible shares have not converted at 26 March 2021 or subsequently and are therefore not dilutive from an earnings per share perspective.

11 Intangible assets

(a) Intangible assets

	Software and IT development costs £000	Brand names £000	Customer relationships £000	Assets under construction £000	Total £000
Cost					
At 29 March 2019	20,518	21,704	20,940	–	63,162
Additions	349	181	–	–	530
Disposal	(925)	–	–	–	(925)
At 27 March 2020	19,942	21,885	20,940	–	62,767
Reclassification from property, plant and equipment	19,958	–		6,292	26,250
At 27 March 2020 (restated)	39,900	21,885	20,940	6,292	89,017
Additions	3,106	–	–	5,394	8,500
Transfer from assets under construction	2,603	–	–	(2,603)	–
Transfer to assets classified as held for sale	(21,124)	(21,885)	(20,940)	–	(63,949)
At 26 March 2021	**24,485**	**–**	**–**	**9,083**	**33,568**

Notes to the Consolidated Financial Statements
continued

11 Intangible assets continued

	Software and IT development costs £000	Brand names £000	Customer relationships £000	Assets under construction £000	Total £000
Accumulated amortisation and impairment					
At 29 March 2019	16,950	4,130	17,130	–	38,210
Amortisation for the period	594	59	510	–	1,163
Disposal	(925)	–	–	–	(925)
At 27 March 2020	16,619	4,189	17,640	–	38,448
Reinstatement of IFRS 5 amortisation	564	76	510	–	1,150
Reclassification from property, plant and equipment	7,582	–	–	–	7,582
At 27 March 2020 (restated)	24,765	4,265	18,150	–	47,180
Amortisation for the period	4,297	172	1,020	–	5,489
Impairment	–	11,075		–	11,075
Transfer to assets classified as held for sale	(18,255)	(15,512)	(19,170)	–	(52,937)
At 26 March 2021	**10,807**	**–**	**–**	**–**	**10,807**
Carrying amount					
Net book value at 26 March 2021	**13,678**	**–**	**–**	**9,083**	**22,761**
Net book value at 27 March 2020 (restated)	15,135	17,620	2,790	6,292	41,837

Brand names, which arose from the acquisition of businesses, and were deemed to have an indefinite life, were subject to annual impairment tests, on the basis that they are expected to be maintained indefinitely and are expected to continue to drive value for the Group. The Spa 4 Schools brand was being amortised over a useful economic life of 5 years. These assets were reclassified to assets classified as held for sale as at the year-end date and subsequently disposed as part of the disposal of Education.

The amortisation period for customer relationships, which arose from the acquisition of businesses, is between 2 and 20 years. Management do not consider that any customer relationships are individually material. These assets were reclassified to assets classified as held for sale as at the year-end date and subsequently disposed as part of the disposal of Education.

Brand names acquired in a business combination were allocated, at acquisition, to the CGUs that were expected to benefit from that business combination. The carrying amount of brand names has been allocated as follows:

	2021 £000	2020 £000
Education	–	17,620
	–	17,620

During the current period Education's assets and liabilities including indefinite lived brands with carrying value of £17.6m have been transferred to assets and liabilities held for sale. See note 5.

(b) Impairment testing

The Group tests indefinite-lived brand names for impairment annually, or more frequently if there are indicators of impairment.

The recoverable amount of the Education CGU was determined from the fair value less cost to sell (FVLCS) calculation. FVLCS has been based on the agreed sale price less disposal costs incurred. The estimated recoverable amount is lower than its carrying value by £11.1m and as such an impairment of intangible assets has been recorded. This has been allocated to the brands category.

12 Property, plant and equipment

	Land and buildings				
	Freehold £000	Leasehold £000	Plant and equipment £000	Assets under construction £000	Total £000
Cost					
At 29 March 2019	17,220	3,166	105,116	–	125,502
Adoption of IFRS 16	–	41,628	1,611	–	43,239
At 29 March 2019	17,220	44,794	106,727	–	168,741
Additions	–	–	8,000	6,292	14,292
Exchange differences	–	8	19	–	27
At 27 March 2020	17,220	44,802	114,746	6,292	183,060
Reclassification to Intangible Assets	–	–	(19,958)	(6,292)	(26,250)
At 27 March 2020 (restated)	17,220	44,802	94,788	–	156,810
Additions	–	–	5,756	3,058	8,824
Exchange differences	–	–	14	–	14
Disposal	–	–	(919)	–	(919)
Transfer to assets classified as held for sale	436	(8,174)	(30,024)	(1)	(37,763)
At 26 March 2021	**17,656**	**36,628**	**69,615**	**3,057**	**126,966**
Accumulated depreciation and impairment					
At 29 March 2019	8,564	2,758	68,669	–	79,991
Provision for the period	328	4,343	9,722	–	14,393
Exchange differences	–	–	4	–	4
Impairment	4	1,276	20		1,300
At 27 March 2020	8,896	8,377	78,415	–	95,688
Reinstatement of IFRS 5 depreciation	–	–	560	–	560
Reclassification to Intangible Assets	–	–	(7,582)	–	(7,582)
At 27 March 2020 (restated)	8,896	8,377	71,393	–	88,666
Provision for the period	329	4,555	7,840	–	12,724
Exchange differences	–	–	(1)	–	(1)
Disposal	–	–	(898)	–	(898)
Impairment	–	630	–	–	630
Transfer to assets classified as held for sale	36	(4,727)	(27,652)	–	(32,343)
At 26 March 2021	**9,261**	**8,835**	**50,682**	**–**	**68,778**
Carrying amount					
Net book value at 26 March 2021	**8,395**	**27,793**	**18,943**	**3,057**	**58,188**
Net book value at 27 March 2020 (restated)	8,324	36,425	23,395	–	68,144

Details of the right of use assets are set out in note 13.

Notes to the Consolidated Financial Statements
continued

13 Leases
The Group lease assets including buildings and plant and equipment that are held within property, plant and equipment. The Group also has certain leases of plant and equipment with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Information about leases for which the Group is a lessee is presented below.

	2021 £'000	2020 (restated) £'000
Net book value of property, plant and equipment owned	**27,458**	28,740
Net book value of right of use assets	**30,730**	39,404
	58,188	68,144

Net book value right of use assets

	Land and buildings – Leasehold £'000	Plant and equipment £'000	Total £'000
At 29 March 2019	41,628	3,361	44,989
Additions	–	842	842
Impairment	(1,159)	–	(1,159)
Depreciation	(4,322)	(629)	(4,951)
At 27 March 2020	36,147	3,574	39,721
Reversal of IFRS 5 adjustment	(244)	(73)	(317)
At 27 March 2020 (restated)	35,903	3,501	39,404
Additions	–	2,012	2,012
Impairment reversal	522	–	522
Depreciation	(4,526)	(2,475)	(7,001)
Transfer to assets classified as held for sale	(4,144)	(63)	(4,207)
At 26 March 2021	**27,755**	**2,975**	**30,730**

Lease liabilities in the balance sheet
A maturity analysis of contractual undiscounted cash flows relating to lease liabilities is as follows:

	At 26 March 2021 £000	At 27 March 2020 (restated) £000
Within one year	**6,440**	6,926
In the second to fifth years	**19,601**	23,341
After five years	**26,179**	33,170
	52,220	63,437

	At 26 March 2021 £000	At 27 March 2020 (restated) £000
Current	**(6,275)**	(6,853)
Non-current	**(34,174)**	(42,292)
	(40,449)	(49,145)

The total cash outflow for leases was £5,615,000 (2020: £5,966,000).

14 Inventories

	2021 £'000	2020 (restated) £'000
Inventories at cost	**41,408**	60,752
Provision for impairment	**(3,639)**	(1,927)
	37,769	58,825

	2021 £'000	2020 £'000
Movement in the provision for impairment:		
Balance at beginning of period	**1,927**	2,476
Provision made in the period	**3,084**	1,252
Provision utilised in the period	**(737)**	(1,801)
Amount reclassified to assets held for sale	**(635)**	–
Balance at end of period	**3,639**	1,927

Inventories recognised as cost of sales from continuing operations in the year amounted to £284,111,000 (2020: £206,608,000).

The methodology for calculating the provision for impairment is detailed in note 2.

15 Trade and other receivables

	2021 £000	2020 (restated) £'000
Gross trade receivables	**385,537**	325,793
Allowance for expected credit loss	**(106,761)**	(101,936)
Trade receivables	**278,776**	223,857
Other debtors	**246**	5,804
Prepayments	**12,203**	15,579
	291,225	245,240

Trade receivables are measured at amortised cost. The directors consider that the Group's maximum exposure to credit risk is the carrying value of the trade and other receivables and that their carrying amount approximates their fair value.

Certain of the Group's trade receivables are funded through a securitisation facility with HSBC Bank plc and is secured against those receivables. The finance provider will seek repayment of the finance, as to both principal and interest, only to the extent that collections from the trade receivables financed allows and the benefit of additional collections remains with the Group. At the period end, receivables of £315,345,000 (2020: £263,455,000) were eligible to be funded via the securitisation facility, and the facilities utilised were £225,000,000 (2020: £197,591,000).

Studio

The average credit period taken on sales of goods is 203 days (2020: 222 days). On average, interest is charged at 3.5% (2020: 3.5%) per month on the outstanding balance.

Studio will undertake a reasonable assessment of the creditworthiness of a customer before opening a new credit account or significantly increasing the credit limit on that credit account. Studio will only provide credit for those customers that can reasonably be expected to be able to afford and sustain the repayments in line with the affordability and creditworthiness assessment. Studio will only offer credit limit increases for those customers that can reasonably be expected to be able to afford and sustain the increased repayments in line with the affordability and creditworthiness assessment. There are no customers who represent more than 1% of the total balance of the Group's trade receivables.

Notes to the Consolidated Financial Statements
continued

15 Trade and other receivables continued

Studio continued

Where appropriate, the Group will offer forbearance to allow customers reasonable time to repay the debt. Studio will ensure that the forbearance option deployed is suitable in light of the customer's circumstances (paying due regard to current and future personal and financial circumstances). Where repayment plans are agreed, Studio will ensure that these are affordable to the customer and that unreasonable or unsustainable amounts are not requested. At the balance sheet date there were 16,153 accounts (2020: 11,685) with total gross balances of £10,453,000 (2020: £7,656,000) on repayment plans. Provisions are assessed as detailed above.

During the current period, overdue receivables with a gross value of £52,609,000 (2020: £56,586,000) were sold to third party debt collection agencies. As a result of the sales, the contractual rights to receive the cash flows from these assets were transferred to the purchasers. Any gain or loss between actual recovery and expected recovery is reflected within the bad debt charge in the income statement.

The following tables provide information about the exposure to credit risk and ECLs for trade receivables from individual customers as at 26 March 2021:

	2021			2020		
Ageing of trade receivables	**Trade receivables £000**	**Trade receivables on forbearance arrangements £000**	**Total £000**	Trade receivables £000	Trade receivables on forbearance arrangements £000	Total £000
Not past due	**305,099**	**9,433**	**314,532**	236,980	6,524	243,504
Past due:						
0 – 60 days	**29,733**	**1,002**	**30,735**	30,972	928	31,900
60 – 120 days	**16,746**	**18**	**16,764**	12,572	204	12,776
120+ days	**23,502**	**–**	**23,502**	29,605	–	29,605
Gross trade receivables	**375,080**	**10,453**	**385,533**	310,129	7,656	317,785
Allowance for expected credit loss	**(99,064)**	**(7,697)**	**(106,761)**	(96,135)	(5,647)	(101,782)
Carrying value	**276,016**	**2,756**	**278,772**	213,994	2,009	216,003

	2021				2020
	Stage 1 £000	**Stage 2 £000**	**Stage 3 £000**	**Total £000**	Total £000
Gross trade receivables	**265,751**	**74,441**	**45,341**	**385,533**	317,785
Allowance for expected credit loss					
Opening balance	**(22,093)**	**(39,174)**	**(40,515)**	**(101,782)**	(87,906)
Impairment charge	**(19,081)**	**(13,087)**	**(22,799)**	**(54,967)**	(65,564)
Utilised in the period	**11,463**	**14,146**	**24,379**	**49,988**	51,688
Closing balance	**(29,711)**	**(38,115)**	**(38,935)**	**(106,761)**	(101,782)
Carrying value	**236,040**	**36,326**	**6,406**	**278,772**	216,003

Analysis of impairment charge

	2021 £'000	2020 £'000
Impairment charge impacting on provision	**(54,967)**	(65,564)
Recoveries	**8,114**	12,544
Other	**1,164**	(910)
Impairment Charge	**(45,689)**	(53,930)

15 Trade and other receivables continued

Allowance for expected credit loss

An appropriate allowance for expected credit loss in respect of trade receivables is derived from estimates and underlying assumptions such as the Probability of Default and the Loss Given Default, taking into consideration forward looking macro-economic assumptions. Changes in the assumptions applied such as the value and frequency of future debt sales in calculating the Loss Given Default, and the estimation of customer repayments and Probability of Default rates, as well as the weighting of the macro-economic scenarios applied to the impairment model could have a significant impact on the carrying value of trade receivables.

Sensitivity analysis

Management judgement is required in setting assumptions around probabilities of default, cash recoveries and the weighting of macro-economic scenarios applied to the impairment model, which have a material impact on the results indicated by the model.

A 1% increase/decrease in the probability of default would increase/decrease the provision amount by approximately £2.9m.

A 1% increase in the assumed recoveries rate would result in the impairment provision decreasing by approximately £1.2m.

Changing the weighting of macro-economic scenarios applied to the impairment model so that the base-case scenario's weighting is halved to 25% (with severe doubling to 20% and the downside being 50%) would result in the impairment provision increasing by approximately £0.9m.

A 1% increase in the peak unemployment in base-case scenario would result in the impairment provision increasing by approximately £0.4m.

These sensitivities reflect management's assessment of reasonably possible changes to key assumptions which could result in a material adjustment to the level of provision within the next financial year.

Rest of the Group

Trade receivables are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Given the nature of the customer base within the rest of the Group, it is not considered necessary to utilise formal credit scoring. However, credit references are sought for all new customers prior to extending credit. There are no customers who represent more than 1% of the total balance of the Group's trade receivables.

Included in the rest of the Group's trade receivables balance in the prior period were debtors with a carrying amount £154,000 which were past due at the reporting date and were partially provided against. There had not been a significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral over these balances. There were no other receivables due at the year-end remaining after reclassifying those as held for sale.

The carrying value of not past due trade receivables which are unimpaired is £nil (2020 restated: £4,495,000).

The aged analysis of the carrying values of past due trade receivables which are unimpaired is as follows:

	2021 £'000	2020 (restated) £'000
0 – 60 days	**–**	2,121
60 – 120 days	**–**	641
120+ days	**4**	443
Total	**4**	3,205

Notes to the Consolidated Financial Statements
continued

15 Trade and other receivables continued

The aged analysis of the carrying values of past due trade receivables which are impaired is as follows:

	2021 £'000	2020 £'000
0 – 60 days	–	–
60 – 120 days	–	–
120+ days	–	154
Total	–	154

Movement in allowance for expected credit losses

	Studio Retail £000	Rest of Group £000	Total £000
Balance at 29 March 2019	87,906	124	88,030
Impairment losses recognised	65,564	56	65,620
Amounts written off as uncollectible	(51,688)	(26)	(51,714)
Balance at 27 March 2020 (restated)	101,782	154	101,936
Impairment losses recognised	54,967	–	54,967
Amounts written off as uncollectible	(49,988)	–	(49,988)
Impact of classification as held for sale	–	(154)	(154)
Balance at 26 March 2021	**106,761**	**–**	**106,761**

16 Cash and cash equivalents

	2021 £'000	2020 £'000
Cash at bank and in hand	37,443	33,163

Cash and cash equivalents comprises cash held by the Group, and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

17 Trade and other payables

	2021 £'000	2020 (restated) £'000
Trade payables	39,094	51,721
Other payables	5,860	3,726
Accruals	28,312	21,496
	73,266	76,943

The average credit period taken for trade purchases is 42 days (2020 restated: 61 days). No interest is charged on trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

The directors consider that the carrying amount of trade and other payables approximates their fair value.

18 Loans and borrowings

(a) Secured bank loans (at amortised cost)

	2021 £000	2020 £000
Bank loans	**290,000**	282,591
Amount due for settlement within one year	**65,000**	-
Amount due for settlement after one year	**225,000**	282,591
	290,000	282,591
The average interest rates paid on the loans were as follows:		
Bank loans	**2.53%***	3.18%*

* The average interest rates quoted in the current and prior period includes fees relating to the extension of the Group's lending facilities (described below). The average interest rate excluding these fees was 2.68% (2020: 3.33%).

Bank loans comprise drawings on the securitisation facility of £225,000,000 (2020: £197,591,000) and the Revolving Credit Facility of £65,000,000 (2020: £85,000,000)

All bank loans are arranged at floating rates, thus exposing the Group to cash flow interest rate risk. The Group manages this risk by undertaking interest rate hedging as described in note 27.

All the bank loans are denominated in sterling.

The directors consider that the carrying value of bank loans approximates their fair value.

The Group's revolving credit facility was refinanced in June 2021, with the available level of facilities now scheduled to be £50m until the end of September 2024. The securitisation facility was increased from £200m to £225m during the year, and then subsequently increased further to £250m in April 2021 to cater for the continued growth in Studio's trade receivables. The final maturity date of the securitisation facility is the earlier of 30 December 2028 or the date on which drawings in respect of eligible receivables in place at 30 December 2022 are repaid. Under the current agreement, the Group cannot make additional drawings on the facility after 30 December 2022.

	2021 £000	2020 £000
Borrowing facilities		
The Group had undrawn committed borrowing facilities as follows:		
Expiring in one year or less	**–**	–
Expiring in more than two years but not more than five years	**–**	–
	–*	–*

* This figure represents drawn headroom against the available facilities. Total headroom (i.e., including cash and cash equivalents) at 26 March 2021 was £37,443,000 (2020: £33,163,000).

Notes to the Consolidated Financial Statements
continued

18 Loans and borrowings continued

(b) Reconciliation of movements in assets/(liabilities) arising from financing activities

	At 27 March 2020 (restated) £'000	Cash outflow/ (inflow) £000	IFRS 16 additions £000	Fair value movements recorded in finance costs £000	Fair value movements recorded through other comprehensive income £000	Transfer to liabilities directly associated with the assets held for sale	**At 26 March 2021 £000**
Interest rate caps	2	–	–	(22)	20	–	**–**
Loans and borrowings	(282,591)	–	(7,409)	–	–	–	**(290,000)**
Lease liabilities	(49,145)	(2,012)	5,615	–	–	5,093	**(40,449)**
	(331,734)	(2,012)	(1,794)	(22)	20	5,093	**(330,449)**

	At 29 March 2019 £000	Adoption of IFRS 16	Cash outflow/ (inflow)	Fair value movements recorded in finance costs £000	Fair value movements recorded through other comprehensive income £000	**At 27 March 2020 (restated) £000**
Interest rate caps	6	–	13	(45)	28	**2**
Loans and borrowings	(270,545)	–	(12,046)	–	–	**(282,591)**
Lease liabilities	(498)	(52,788)	5,966	(1,825)	–	**(49,145)**
	(271,037)	(52,788)	(6,067)	(1,870)	28	**(331,734)**

19 Derivative financial instruments

At 26 March 2021 the Group had outstanding derivative financial instruments as follows:

Non-current assets

	2021 £'000	2020 £'000
Interest rate cap	**–**	2

Current assets

	2021 £000	2020 £000
Forward foreign exchange contracts	**55**	3,250

Current liabilities

	2021 £'000	2020 £'000
Forward foreign exchange contracts	**(2,927)**	(36)

Information about the Group's exposure to credit and market risks, and fair value measurement, is included in note 27.

20 Provisions & Contingent Liability

(a) Provisions

	Onerous leases £000	Studio financial services redress and refunds £000	VAT provision £000	Total £000
At 29 March 2019	8,843	2,235	–	11,078
Released during the period	(8,301)	–	–	(8,301)
Provided during the period	–	6,948	–	6,948
Utilised in the period	(350)	(5,040)	–	(5,390)
At 27 March 2020	192	4,143	–	4,335
Transfer from accruals	–	–	1,925	1,925
Provided during the period	522	–	1,927	2,449
Utilised in the period	(139)	(3,031)	–	(3,170)
At 26 March 2021	**575**	**1,112**	**3,852**	**5,539**
2021				
Analysed as:				
Current	221	1,112	3,852	5,185
Non-current	354	–	–	354
	575	**1,112**	**3,852**	**5,539**
2020				
Analysed as:				
Current	192	4,143	–	4,335
Non-current	–	–	–	–
	192	4,143	–	4,335

Onerous Leases

The onerous lease provision at 26 March 2021 relates to (non-rent related) unavoidable costs in respect of the unused areas of the Group's properties at Enfield and Hyde.

Studio financial services redress and refunds

Provisions in excess of £30m were built up in previous years in relation to the anticipated refund of premiums and interest to customers in respect of historic flawed credit and insurance products. The refund programmes are now complete and the remaining provision is expected to be utilised within 12 months.

VAT provision

The VAT provision relates to the Group's ongoing discussions with HMRC with regard to agreeing a new Partial Exemption Special Method (the means by which the recovery of input VAT on costs relating the Group financial services activities is restricted). As at 26 March 2021, the Group held a provision of £3.9m (2020: £1.9m presented within accruals), which represents management's best estimate of the likely increase in the level of restriction on the recovery of input VAT over and above that which has already been restricted in the Group's quarterly VAT returns. We note that management's best estimate is one of a number of different outcomes so the amounts provided may differ to the final cost incurred by the Group in respect of this matter.

During the year, the Group has undertaken a review of the accounting policy and transferred £1.9m in respect of this matter from accruals to provisions. The prior year figure has not been restated as management conclude that the quantum of the transfer is not material to the users of the financial statements and note that that both provisions and accruals are presented within current liabilities.

Notes to the Consolidated Financial Statements
continued

20 Provisions & Contingent Liability continued

(b) Contingent liability

As a regulated entity, the Group's main trading subsidiary, Studio Retail Limited, is subject to legal and regulatory reviews, challenges, and investigations during the ordinary course of business. All such material matters are periodically reassessed, with the assistance of external professional advisors where appropriate, to determine the likelihood of the Group incurring a liability. In those instances where it is concluded that it is more likely than not that a payment will be made, a provision is established to management's best estimate of the amount required at the relevant balance sheet date.

21 Deferred tax

Recognised deferred tax

	Short-term timing differences £000	Fixed asset timing differences £000	Retirement benefit obligations £000	Tax losses £000	Other intangible assets £000	Total £000
At 29 March 2019	(3,047)	(4,635)	1,971	(4,417)	3,421	(6,707)
Adjustments in respect of prior periods	992	7	–	253	(1)	1,251
Impact of change in rate of corporation tax	(242)	(545)	(914)	(490)	402	(1,789)
Recognised in reserves	–	–	4,043	–	–	4,043
Charge/(credit) for the year	(1,325)	841	921	–	(82)	355
Impact of classification as held for sale	(42)	2,012	–	4,654	(3,740)	2,884
At 27 March 2020 (as reported)	(3,664)	(2,320)	6,021	–	–	37
Adjustment for IFRS 5	42	(2,166)	–	(4,654)	3,569	(3,209)
As at 27 March 2020 (restated)	(3,622)	(4,486)	6,021	(4,654)	3,569	(3,172)
Prior year adjustment	416	(257)	–	–	5	164
Recognised in reserves	(291)	–	(3,017)	–	–	(3,308)
Charge/(credit) for the year	75	337	954	–	(2,306)	(940)
Transfer to assets held for sale	(4)	2,132	–	4,654	(1,268)	5,514
At 26 March 2021	**(3,426)**	**(2,274)**	**3,958**	**–**	**–**	**(1,742)**
At 26 March 2021						
Deferred tax liabilities	**–**	**–**	**3,958**	**–**	**–**	**3,958**
Deferred tax assets	**(3,426)**	**(2,274)**	**–**	**–**	**–**	**(5,700)**
At 27 March 2020 (restated)						
Deferred tax liabilities	–	–	6,021	–	3,569	9,590
Deferred tax assets	(3,622)	(4,486)		(4,654)	–	(12,762)

The movements in deferred tax recorded in the income statement in respect of the year ended 26 March 2021 represent a £2,162,000 decrease in deferred tax liabilities relating to continuing operations and a £2,938,000 increase in deferred tax assets relating to discontinued operation.

Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policies.

21 Deferred tax continued

Recognised deferred tax continued

The following is the analysis of the deferred tax balances as they are presented in the consolidated balance sheet following the offset:

	Short-term timing differences £000	Fixed asset timing differences £000	Retirement benefit obligations £000	Tax losses £000	Other intangible assets £000	Total £000
At 26 March 2021						
Deferred tax liabilities	**–**	**–**	**–**	**–**	**–**	**–**
Deferred tax assets	**(3,426)**	**(2,274)**	**3,958**	**–**	**–**	**(1,742)**
At 27 March 2020 (restated)						
Deferred tax liabilities	–	–	–	–	–	–
Deferred tax assets	(3,622)	(4,486)	6,021	(4,654)	3,569	(3,172)

The deferred tax assets and liabilities at 26 March 2021 have been calculated at 19% (2020: 19%), being the corporation tax rate substantively enacted at the balance sheet date. Subsequent to the year-end, an increase in UK corporation tax rate to 25% (effective 1 April 2023) was substantively enacted. This will increase the Company's future current tax charge accordingly.

Unrecognised deferred tax

The aggregate value of deferred tax assets which have not been recognised is £7,142,000 (2020: £7,142,000). These amounts primarily relate to carried forward tax losses in the Parent Company, Studio Retail Group plc. No asset has been recognised in respect of these differences because there is insufficient evidence that Studio Retail Group plc will make sufficient future taxable profits against which these assets may be utilised.

	Tax losses £000
At 29 March 2019	(6,391)
Adjustments in respect of prior periods	(751)
At 27 March 2020	(7,142)
At 26 March 2021	**(7,142)**

22 Share-based payments

Performance Share Plan (equity settled)

(i) Description of scheme

The Group has issued to certain senior employees nil cost options under the Performance Share Plan (PSP) that require the Group to award shares to the employee on the vesting of the award subject to the achievement of certain predetermined performance conditions. The performance period in respect of all outstanding awards is three years after the awards were granted.

Notes to the Consolidated Financial Statements
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22 Share-based payments continued
The performance conditions that apply to the awards granted since 2017 have been based upon the following bases:

- Awards made during FY18 were subject to a number of vesting criteria, including division-specific criteria for divisional management. The criteria applicable to the Executive Directors was that half the awards were linked to total shareholder return over the three-year period to March 2020 and half were linked to the adjusted earnings per share for the year to March 2020.
- Awards made during FY19 were subject to the same vesting criteria as those for the Executive Directors, which were that half the awards were linked to total shareholder return over the three-year period to March 2021 and half were linked to the adjusted earnings per share for the year to March 2021.
- Awards made during FY20 were subject to the same vesting criteria as those for the Executive Directors, which were that half the awards were linked to total shareholder return over the three-year period to March 2022 and half were linked to the adjusted earnings per share for the year to March 2022.
- Awards made during FY21 were subject to the same vesting criteria as those for the Executive Directors, which were that one third of the awards were linked to total shareholder return over the three-year period to March 2023 and two thirds were linked to the adjusted earnings per share for the year to March 2023.

(ii) Measurement of fair values
The estimated fair value of the awards granted during the period is £1,576,000 (2020: £1,796,000). In each case these costs are expensed over the three years from the date of the relevant grant.

The fair values of the awards in the current period and prior year were calculated using a Stochastic valuation model (aka "Monte-Carlo") for market-based conditions and Black-Scholes valuation model for non-market based conditions. The inputs into the models were as follows:

	2021	2020
Weighted average fair value (pence)	**172.0**	176.0
Share price at issue (pence)	**224.0**	247.0
Weighted average exercise price (pence)	**–**	–
Expected volatility (%)	**46.0**	40.6
Expected life (years)	**3.0**	3.0
Risk free rate (%)	**–**	0.6
Expected dividend yield (%)	**–**	–

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years.

(iii) Reconciliation of outstanding options

	2021 No. of shares	2020 No. of shares
Outstanding at the beginning of the period	**2,387,473**	2,547,159
Granted during the period	**993,443**	1,020,462
Forfeited during the period	**(373,074)**	(1,180,148)
Exercised during the period	**(392,860)**	–
Outstanding at the end of the period	**2,614,982**	2,387,473

The weighted average exercise price of all options is £nil.

There were no outstanding options that were capable of being exercised at 26 March 2021

The weighted average remaining contractual life for share options outstanding at the end of the period is 1.4 years.

22 Share-based payments continued

(iv) Charge recognised in the income statement

The Group recognised a charge of £1,372,000 (2020: £649,000) related to equity-settled share-based payment transactions in the year reflecting the charge arising in the period being offset by the reversal of charges on non-market related performance criteria share options which are no longer expected to vest.

23 Share capital

During the year, the Company had three classes of ordinary shares, neither of which carry any right to fixed income.

Ordinary shares of 10p each

	2021 Number of shares	2020 Number of shares	**2021 £000**	2020 £000
At the beginning of the period	**86,442,534**	86,442,534	**8,644**	8,644
Issue of shares	**425,000**	–	**43**	–
At the end of the period	**86,867,534**	86,442,534	**8,687**	8,644

Share issue – December 2020

The Group issued 425,000 new ordinary shares of 10 pence each on 11 December 2020 in the capital of the Company to the Trustees of The Fine Art Developments Employee Trust ("the EBT"). The shares rank equally with the existing issued ordinary shares. The new ordinary shares are intended to be used by the EBT to satisfy requests received from directors and employees of the Group to exercise awards previously granted under the Company's Performance Share Plan 2016.

The total number of shares held by the EBT at 26 March 2021 was 269,257 (2020: 114,808).

Convertible ordinary shares of 23.97p each

	2021 Number of shares	2020 Number of shares	**2021 £000**	2020 £000
At the beginning of the period	**166,878,704**	166,878,704	**40,000**	40,000
Shares converted to non–voting deferred shares	**(166,878,704)**	–	**(40,000)**	–
At the end of the period	**–**	166,878,704	**–**	40,000

Non-voting deferred shares of 23.97p each

	2021 Number of shares	2020 Number of shares	**2021 £000**	2020 £000
At the beginning of the period	**–**	–	**–**	–
Shares converted to non–voting deferred shares	**166,878,704**	–	**40,000**	–
At the end of the period	**166,878,704**	–	**40,000**	–

On 23 March 2021 , the conversion rights attaching to the 166,878,704 convertible shares of 23.97 pence each in issue in the capital of the Company (the "Convertible Shares") lapsed in accordance with their terms of issue and accordingly, as a result of such lapse, no Ordinary Shares will be issued to holders of the Convertible Shares.

In accordance with the articles of association of the Company, the Convertible Shares automatically converted into 166,878,704 non-voting deferred shares having the rights and restrictions set out in the Articles (the "Deferred Shares"). The Deferred Shares confer on the holders of such shares no right to notice of or to attend or vote at general meetings of the Company nor any right to participate in the profits of the Company available for distribution. The Deferred Shares confer on the holders of such shares no rights to call for the issue to them of Ordinary Shares. The Deferred Shares are not listed on any stock exchange.

Notes to the Consolidated Financial Statements
continued

24 Capital commitments
At 26 March 2021, amounts contracted for but not provided in the financial statements for continuing operations in respect of property, plant and equipment amounted to £1,108,000 (2020: £1,348,000).

25 Events after the Reporting period
Sale of Findel Education
On 16 April 2021, the Group entered into a definitive agreement for the sale of Findel Education Limited to West Moorland 221 Limited, a newly formed company owned by investment funds managed by Endless LLP for a gross consideration of £30.0 million on a debt free, cash free basis paid in cash on completion. In addition to the consideration, the Group has made available a working capital facility of £2.0 million to Findel Education. The net cash proceeds were used to make a voluntary payment to the Group's defined benefit pension fund of £9.0 million with the remainder used to reduce the Group's net debt.

Increase to securitisation facility
The securitisation facility was increased from £225m to £250m in April 2021 to cater for the continued growth in Studio's trade receivables. The maturity date remains unchanged and is as disclosed in note 18.

Refinancing of RCF
The Group's revolving credit facility was refinanced in June 2021, with the available level of facilities now scheduled to be £50m until the end of September 2024.

26 Pensions
Defined contribution schemes
The Group operates a defined contribution retirement benefit plan for all qualifying employees. The assets of the plan are held separately from those of the Group in funds under the control of trustees. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. The total expense recognised in the income statement of £2,171,000 (2020: £1,940,000) represents contributions payable at rates specified by the rules of the plan.

Defined benefit schemes
The Group sponsors the Findel Group Pension Fund which is a defined benefit pension scheme with four sections. The four sections were merged into a single scheme on 30 June 2012 with the aim of reducing administrative costs. Studio Retail Group plc (the parent company) is currently the principal sponsor of two of the sections, the Galt and Group sections, and became the principal sponsor for the Findel Education and Philip and Tacey sections following the disposal of Findel Education Limited (the previous principal sponsor) in April 2021. The scheme is closed to future accrual. The latest triennial valuation of the scheme was completed at 5 April 2019 by Barnett Waddingham LLP using a "market related basis" method. The principal actuarial assumptions adopted in that valuation were a pre-retirement and post-retirement discount rate of Bank of England nominal gilt Yield + 0.6% paper annum. The actuarial value of the assets was sufficient to cover 93% of the benefits that had accrued to members, after allowing for expected future increases in pensionable remuneration. The market value of the scheme's assets at the date of valuation was £168.7m. The next formal valuation has an effective date of 5 April 2022.

The most recent valuation of the plan for IAS 19 purposes was carried out at 26 March 2021 by PricewaterhouseCoopers LLP. The present value of the defined benefit obligation was measured using the projected unit credit method. The results of the IAS 19 valuation are summarised as follows:

	2021 £'000	2020 £'000
Fair value of scheme assets	**167,610**	164,942
Present value of funded obligations	**(146,773)**	(133,247)
Surplus in the scheme	**20,837**	31,695

The weighted average duration of the Scheme's IAS 19 liabilities is 17 years.

26 Pensions continued

Plan assets

	2021 £'000	2020 £'000
Plan assets comprise:		
Equities	**39,200**	46,548
Bonds	**119,592**	97,717
Other	**8,818**	20,677
	167,610	164,942

Movement in the present value of defined benefit obligations

	2021 £'000	2020 £'000
At beginning of the period	**(133,247)**	(148,414)
Past service cost (1)	**(825)**	-
Interest cost	**(3,269)**	(3,558)
Effect of changes in demographic assumptions	**2,836**	2,395
Effect of changes in financial assumptions	**(18,793)**	5,271
Effect of experience adjustments	**1,215**	5,197
Benefits paid	**5,310**	5,862
At end of the period	**(146,773)**	(133,247)

Movement in the fair value of plan assets

	2021 £'000	2020 £'000
At beginning of the period	**164,942**	148,346
Interest on assets	**4,113**	3,614
Remeasurements – return on scheme assets	**(1,135)**	14,052
Employer contributions	**5,000**	4,792
Benefits paid	**(5,310)**	(5,862)
At end of the period	**167,610**	164,942

Movement in the pension surplus

	2021 £'000	2020 £'000
Surplus at the beginning of the period	**31,695**	(68)
Past service cost(1)	**(825)**	–
Net interest income	**844**	56
Remeasurements	**(15,877)**	26,915
Employer contributions	**5,000**	4,792
Surplus at the end of the period	**20,837**	31,695

Expense recognised in the Consolidated Income Statement

	2021 £000	2020 £000
(i) Included within individually significant items – trading costs		
Past service cost(1)	**(825)**	–
(ii) Included within finance costs		
Net interest income	**844**	56

Notes to the Consolidated Financial Statements
continued

26 Pensions continued

Amounts recognised in other comprehensive income

	2021 £000	2020 £000
Total remeasurements	**(15,877)**	26,915

(1) In October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The latest ruling in November 2020, the 'Lloyds III judgment', concluded that scheme will now need to review past transfer values and consider whether any top up would be required to equalise those benefits. There is no limit to the lookback period and Trustees will need to consider any transfer values paid where a member has accrued service between 17 May 1990 and 5 April 1997. After discussion with the trustees, actuaries and legal advisors of our fund, a past service cost of £825,000 was recognised in the period as an individually significant item to address this historical issue.

Actuarial Assumptions

The following are the principal actuarial assumptions at the reporting date:

	2021	2020
Financial Assumptions		
Discount rate for scheme liabilities	**1.95%**	2.50%
RPI Price Inflation	**3.35%**	2.75%
CPI Price Inflation	**2.70%****	1.85%
Rate of increase to pensions in payment in line with RPI inflation (up to 5% per annum)	**3.25%**	2.75%
Rate of increase to pensions in payment in line with CPI inflation (up to 5% per annum)	**2.70%****	1.90%
Rate of increase to deferred pensions	**2.70%****	1.85%
Post retirement mortality (in years)		
Current pensioners at 65 – male	**86.5 yrs**	87.0 yrs
Current pensioners at 65 – female	**88.3 yrs**	89.0 yrs
Future pensioners at 45 – male	**87.8 yrs**	88.3 yrs
Future pensioners at 45 – female	**89.7 yrs**	90.5 yrs
Demographic Assumptions		
Cash Commutation (members taking cash lump sum)	**60%**	80%
Proportion of members that are married at retirement	**70%**	75%
Proportion of members taking TPIE option*	**15%**	15%
Age at which members are assumed to take TPIE option*	**61.0 yrs**	61.0 yrs

Assumptions regarding post retirement mortality are based on published statistics and mortality tables – 113% S3NMA/124% S3NFA – CMI 2020 1.25% p.a. (2020: 100% S2NXA – CMI 2019 1.25% p.a.)

* The Scheme has an embedded option at retirement for members to take TPIE (Total Pension Increase Exchange), following bulk exercises carried out in late 2014 and early 2015. Since this option is a formalised ongoing process, allowance has been made for this in calculating the IAS 19 liability. A 15% take up at an average age of 61.0 years has been assumed, based upon take up rates seen to date.

** The CPI inflation and CPI – linked pension increases assumptions are based on the single equivalent CPI inflation assumption across all sections of the Scheme, assuming a pre 2030 RPI CPI gap of 1.0% p.a. and a post 2030 RPI CPI gap of 0.0% p.a. The actual single equivalent values adopted for each section will vary based on the benefits provided and the membership statistics.

Sensitivities

The sensitivities regarding the principal assumptions used to measure the Scheme's liabilities are set out below:

		Impact on scheme liabilities	
Assumption	Change in Assumption	if assumption increases	if assumption decreases
Discount rate	0.5%	Decrease by 7.6%	Increase by 8.5%
RPI Inflation	0.5%	Increase by 3.2%	Decrease by 3.1%
CPI Inflation	0.5%	Increase by 2.8%	Decrease by 2.7%
Salary increase	0.5%	No change	No change
Longevity	1 year	Increase by 5.0%	Decrease by 4.8%
TPIE take up %	5%	Decrease by £325,000	Increase by £325,000
TPIE age	1 year	Increase by £575,000	Decrease by £575,000

26 Pensions continued

Sensitivities continued

The above sensitivities are approximate and show the likely increase to the Scheme's liabilities under IAS 19 if an assumption is adjusted whilst all other assumptions remain the same. The sensitivities are for illustration purposes only and do not necessarily represent the directors' view of the expected changes to the assumptions in the future.

There have been no changes to the methods and assumptions used to calculate the sensitivity analyses between the current period and prior period.

Risks

Investment risk

Allowance is made in the assumptions for the expected long-term performance of asset classes such as equities. There is a risk that these returns will not be achieved in practice, which would result in an increase in the Scheme's liabilities and further contributions being required. Further, the value of the Scheme's assets may not move in line with the Scheme's liabilities – either because the Scheme invests in volatile assets whose value might fall, or because the value of the liabilities has increased due to falling interest rates and the assets are not of sufficient duration to keep up (or a combination of these).

Inflation

In projecting the expected future benefit payments, assumptions are made regarding future price inflation. There is a risk that the actual rate of inflation will be higher than assumed which will increase the cost of providing the benefits and thus the liability. This would result in additional contributions being required and a deterioration in the solvency position unless investment returns are similarly higher than expected.

Mortality

It is not possible to predict with any certainty how long members of the Scheme will live, and if members live longer than expected, additional contributions will be required and the Scheme's solvency position will deteriorate.

Managing risk

To manage the risks of the Scheme, TPIE exercises were carried out during 2015 and 2016, which resulted in a number of members transferring out of the Scheme. The TPIE option has now been embedded within the scheme.

IFRIC 14

IFRIC 14 is an interpretation relating to IAS 19 that covers whether pension scheme surpluses can be recognised on the balance sheet. Based on the circumstances of the Fund and in line with the prior period, management do not believe that IFRIC 14 impacts the IAS 19 results since the Company has a right to a refund of surplus assets at some point in the future, and as such have not made any adjustments to the results.

Funding

The Scheme is funded by Studio Retail Group plc and its subsidiaries. During the current period, the Group contributed £5,000,000 to the scheme (2020: £4,792,000). The Group expects to make contributions of £14,000,000 (including the £9m contribution made following the completion of the sale of Findel Education) in the financial year ended March 2022, in line with the agreed schedule of contributions.

Notes to the Consolidated Financial Statements
continued

26 Pensions continued
Funding continued
The following table shows the expected future benefit payments for the Findel Group Pension Fund:

Findel Group Pension Fund (expected future benefit payments)	£'000
2021 – 2030	53,661
2031 – 2040	61,526
2041 – 2050	51,085
2051 – 2060	29,483
2061 – 2070	7,096
2071 – 2080	487
2081 – 2090	6
2091 – 2100	–
After 2100	–
Total	**203,344**

27 Financial instruments
The Group holds and uses financial instruments to finance its operations and to manage its interest rate and liquidity risks. The Group primarily finances its operations using share capital and borrowings. The main risks arising from the Group's financial instruments are credit, interest rate, foreign currency and liquidity risk.

The Board reviews and agrees the policies for managing each of these risks on an annual basis. A full description of the Group's approach to managing these risks is set out in the Risk Committee Report on pages 96 and 97.

The Group does not engage in trading or speculative activities using derivative financial instruments. A group offset arrangement exists for cash balances to take advantage of the most rewarding short-term investment opportunities.

Capital risk management
The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the net debt and equity balance. The Board of Directors reviews the capital structure of the Group regularly considering both the costs and risks associated with each class of capital. The capital structure of the Group consists of:

	2021 £'000	2020 (restated) £'000
Net debt		
Borrowings (note 18)	**290,000**	282,591
Cash at bank and in hand (note 16)	**(37,443)**	(33,163)
Leases liabilities (note 13)	**40,449**	49,145
	293,006	298,573
Total equity		
Share capital (note 23)	**48,687**	48,644
Translation reserve	**936**	321
Hedging reserve	**(6)**	(26)
Retained earnings	**35,301**	25,057
	84,918	73,996
Gearing (being net debt divided by total equity)	**3.45**	4.03

27 Financial instruments continued

Externally imposed capital requirement

Revolving credit facility

The Group is subject to two financial covenants based on debt-based ratios (Interest Cover and Net Debt: EBITDA). These covenants are tested quarterly against pre-agreed limits. The Group was in compliance with its covenant requirements throughout the year.

Securitisation facility

The Group is subject to a number of covenants in relation to the quality of receivables securitised, of which the principal measures are the collection ratio, the default ratio, the excess spread ratio and the dilution ratio. The covenants are tested monthly against pre-agreed targets, testing for compliance on a three-month rolling basis. The Group was in compliance with its covenant requirements throughout the year.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

Fair value of financial assets and liabilities

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	2021 Carrying value £000	**2021 Fair value £000**	2020 Carrying value (restated) £000	2020 Fair value (restated) £000
Trade and other receivables	**279,022**	**279,022**	229,661	229,661
Cash and cash equivalents	**37,443**	**37,443**	33,163	33,163
Trade and other payables	**(39,094)**	**(39,094)**	(55,447)	(55,447)
Bank loans	**(290,000)**	**(290,000)**	(282,591)	(282,591)
Lease liabilities	**(40,449)**	**(40,449)**	(49,145)	(49,145)
Derivative financial instruments	**(2,872)**	**(2,872)**	3,216	3,216
	(55,950)	**(55,950)**	(121,143)	(121,143)
Unrecognised gain/(loss)		**–**		–

Basis for determining fair values

The following summarises the principal methods and assumptions used in estimating the fair value of financial instruments reflected in the table above:

(a) Derivatives

Broker quotes are used for all interest rate swaps, caps and foreign currency exchange contracts where relevant.

(b) Interest-bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows.

(c) Trade and other receivables/payables

Trade receivables are held at amortised cost (i.e. net of provision for expected credit loss). At Studio an appropriate allowance for expected credit loss in respect of trade receivables is derived from estimates and underlying assumptions such as the Probability of Default and the Loss Given Default, taking into consideration forward looking macro-economic assumptions.

The main risks arising from the Group's financial instruments are credit, interest rate, foreign currency, and liquidity risk. The Board reviews and agrees the policies for managing each of these risks on an annual basis.

Notes to the Consolidated Financial Statements
continued

27 Financial instruments continued

Fair value hierarchy

The different levels of valuation method for financial instruments carried at fair value have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The derivative financial instruments held by the Group at 26 March 2021 and 27 March 2020, namely the interest rate caps and forward foreign exchange contracts, were valued under level 2 measurement bases.

The valuation technique uses the net present value calculation of future cash flows. The model inputs include the foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies and interest rate curves.

Financial risk management objectives

The Group's financial risks include market risk (including currency risk and interest risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to manage its exposure. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- forward foreign exchange contracts to hedge the exchange rate risk arising on the purchase of inventory principally in US dollars; and
- interest rate caps to mitigate the risk of rising interest rates.

Foreign currency risk management

A proportion of the products sold through Studio and Education are procured through the Group's Far-East sourcing operations. The currency of purchase for these goods is principally the US Dollar. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed utilising forward foreign exchange contracts. The Group has a policy of hedging these foreign currency denominated transactions by entering into forward exchange purchase contracts for the purchases forecast for the next 12 months. At the balance sheet date, details of the notional value of outstanding US dollar forward foreign exchange contracts that the Group has committed to are as follows:

	2021 £'000	2020 £'000
Less than 6 months	**40,218**	36,683
6 to 12 months	**38,015**	34,056
	78,233	70,739

Forward contracts outstanding at the period end were contracted at US dollar exchange rates between £1/$1.40 and £1/$1.29. Hedge accounting has not been applied to these derivatives.

27 Financial instruments continued

Foreign currency risk management continued

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows

	Assets		Liabilities		Net exposure	
	2021 £000	2020 £000	**2021 £000**	2020 £000	**2021 £000**	2020 £000
Euro	**3,672**	3,377	**–**	–	**3,672**	3,377
US Dollar	**6,515**	6,260	**(6)**	(205)	**6,509**	6,055
Chinese Yuan Renminbi	**371**	75	**(291)**	(253)	**80**	(178)
Hong Kong dollar	**9**	213	**(490)**	(57)	**(481)**	156
	10,567	9,925	**(787)**	(515)	**9,780**	9,410

Foreign currency sensitivity analysis

A significant proportion of products sold through Studio and Education are procured through the Group's Far-East sourcing operations. The currency of purchase for these goods is principally the US dollar, with a proportion being in Hong Kong dollars.

The following table details the Group's sensitivity to a 10% increase or decrease in the Sterling against the relevant foreign currencies. 10% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity where Sterling strengthens 10% against the relevant currency. For a 10% weakening of Sterling against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	Euro currency impact		US dollar currency impact		Chinese Yuan Renminbi currency impact		Hong Kong dollar currency impact	
	2021 £000	2020 £000	**2021 £000**	2020 £000	**2021 £000**	2020 £000	**2021 £000**	2020 £000
Profit or loss and equity	**(334)**	(307)	**(592)**	(550)	**(7)**	16	**44**	(14)

Forward foreign exchange contracts

The Group enters into forward foreign exchange contracts to manage the risk associated with anticipated sales and purchase transactions on a rolling twelve-month basis.

At 26 March 2021, the Group was committed to forward foreign exchange contracts for a notional sterling contract value of £78,233,000.

	2021 £000	2020 £000
Notional amount – Sterling contract value	**78,233**	70,739
Fair value of asset recognised	**55**	3,250
Fair value of liability recognised	**(2,927)**	(36)

Changes in fair value of forward foreign exchange contracts amounted to a charge of £6,085,000 (2020: credit of £2,608,000) which has been recorded separately in the Consolidated Income Statement.

The fair value of foreign currency derivatives contracts is their market value at the balance sheet date. Market values are based on the duration of the derivative instrument together with the quoted market data including interest rates, foreign exchange rates and market volatility at the balance sheet date.

Notes to the Consolidated Financial Statements
continued

27 Financial instruments continued

Interest rate risk management

The Group is exposed to interest rate risk as the Group borrows funds at floating interest rates. The risk is managed by the Group by the use of interest rate cap contracts when considered necessary. The Group has one interest rate cap in place at 26 March 2021. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit and equity reserves for the period ended 26 March 2021 would decrease/increase by £1,437,000 (2020: £1,364,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Interest rate cap contracts

Under interest rate cap contracts, the Group agrees to cap the LIBOR element of its interest cost at an agreed level calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of rising interest rates on its variable rate debt.

The following caps were in place at 26 March 2021:

	At 26 March 2021		
Maturity	Notional borrowing amount £000	Cap rate	Fair value £000
Less than 12 months	**50,000**	**1.117%**	**–**

The Group has one cap in place. The cap was purchased on 14 February 2020 and matures in July 2021. The cap was designated as a cash flow hedge from inception. The movement in the fair value of interest rate caps during the current and prior periods was as follows:

	2021 £'000	2020 £'000
At the beginning of the period	**2**	6
Purchase of interest rate caps	**–**	13
Movement in fair value credited/(charged) to the hedging reserve	**20**	28
Movement in fair value of ineffective element charged to finance costs	**(22)**	(45)
At the end of the period	**–**	2

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's credit risk is primarily attributable to its trade receivables. At Studio an appropriate allowance for expected credit loss in respect of trade receivables is derived from estimates and underlying assumptions such as the Probability of Default and the Loss Given Default, taking into consideration forward looking macro-economic assumptions. A more detailed commentary of the Group's exposure to credit risk within its trade receivables, and the procedures employed to manage this risk, is set out in note 15.

27 Financial instruments continued

Credit risk management continued

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are connected entities. Concentration of credit did not exceed 5% of gross monetary assets at any time during the year. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the directors' best estimate of the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 18 is a description of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its financial assets and financial liabilities. The tables have been drawn up based on the undiscounted cash flows of the financial assets and financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both estimated interest and principal cash flows.

2021	**Weighted average effective interest rate %**	**Less than 1 year £000**	**1 to 5 years £000**	**Total £000**
Financial liabilities				
Non–interest bearing		**(39,094)**	**–**	**(39,094)**
Variable interest rate instruments	**2.53**	**(65,000)**	**(225,000)**	**(290,000)**
Lease liabilities	**3.18**	**(6,275)**	**(34,174)**	**(40,449)**
Derivative financial instruments	**–**	**(2,872)**	**–**	**(2,872)**
		(113,241)	**(259,174)**	**(372,415)**

2020	Weighted average effective interest rate %	Less than 1 year £000	1 to 5 years £000	Total £000
Financial liabilities				
Non–interest bearing		(55,447)	–	(55,447)
Variable interest rate instruments	3.18	(85,000)	(197,591)	(282,591)
Lease liabilities	3.62	(6,853)	(42,292)	(49,145)
		(147,300)	(239,883)	(387,183)

The Group has access to financing and securitisation facilities, the total unused amount of which was £nil* (2020: £nil*) at the balance sheet date. The Group expects to meet its other obligations from operating cash flows. Borrowings drawn under the Group's revolving credit facility are shown above as being repaid within one year as drawings are made on one-month or three-month loan periods. The Group may then redraw these amounts until the contractual maturity of the underlying facility which, at the year-end expired at 31 December 2021, but has been refinanced post year-end and now expires on 30 September 2024. The Group may draw up to £225m (increased to £250m in April 2021) subject to eligible receivables to support borrowings.

Notes to the Consolidated Financial Statements
continued

27 Financial instruments continued

Liquidity and interest risk tables continued

The Group enters into derivative financial instruments relating to gross settled foreign exchange contracts and net settled interest rate caps. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the interest and foreign currency rates prevailing at the balance sheet date.

*This figure represents drawn headroom against the available facilities. Total headroom (i.e., including cash and cash equivalents) 26 March 2021 is £37,443,000 (2020: £33,163,000).

28 Related parties

During the current and prior periods, the Group made purchases in the ordinary course of business from Brands Inc Limited, a subsidiary of Frasers Group plc , which is a significant shareholder in the ultimate parent company, Studio Retail Group plc. The value of purchases made and amounts owed at the 26 March 2021 and 27 March 2020 were as follows:

Brands Inc. Limited

	2021 £'000	2020 £'000
Purchases	**6**	43
Amounts owed	**–**	17

During the current period, Studio Retail Limited traded with Panther Warehousing Limited, a company owned by Ingelby (2016) Ltd, of which Greg Ball (a non-executive director of the Parent Company) was non-executive chairman until November 2020. The trading relationship was conducted on an arm's length basis. The value of purchases made and amounts owed at the 26 March 2021 were as follows:

Panther Warehousing Limited

	2021 £'000
Purchases	**561**
Amounts owed	**22**

Transactions between Studio Retail Group plc and its subsidiaries, which are related parties of Studio Retail Group plc, have been eliminated on consolidation and are not discussed in this note. All transactions and outstanding balances between group companies are priced on an arm's-length basis and are settled in the ordinary course of business.

Compensation of key management personnel

The remuneration of the Directors including consultancy contracts and share-based payments, who are the key management of the Group, is set out in the audited part of the Directors' Remuneration Report on pages 68 to 95 and is summarised below.

	2021 £000	2020 £000
Short-term employee benefits	**2,493**	1,223
Company pension contributions	**147**	131
Long-term incentives	**567**	519
	3,207	1,873
Share-based payments charge	**707**	318
	3,914	2,191

29 Subsidiaries

The subsidiaries of Studio Retail Group plc, the Group's ultimate parent company, at 26 March 2021 were as follows:

Name	Registered Office Address	Activity
Findel Education Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Trading entity
Studio Retail Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Trading entity
Studio Asia (formerly Findel Sourcing (Shanghai) Limited)	Unit 1506, Tower A, Financial Street Hailun Center No.440, Hailun Road, Shanghai, PRC.	Overseas trading entity*
Express Gifts Philippines Inc.	Second Floor, Clark Center 7, Berthaphil Clark Center, Jose Abad Santos Avenue, Clark Freeport Zone, Pampanga, Philippines.	Overseas trading entity**
Findel Europe B.V.	2 Gregory St, Hyde, Cheshire, United Kingdom, United Kingdom, SK14 4TH	Overseas dormant entity
TCC1 Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Non-dormant entity
Hope Holdings (U.K.) Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Non-dormant entity
2Care4 Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Ace of Clubs Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Alternative Choice Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Burley House Weddings Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
C.& S.(SUTTON)LIMITED	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Care 4 Schools Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Care Cards Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Care4Free Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Cascade Party Toys Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Christmas-E Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Dean's Childsplay Toys Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Dee Textiles Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Designed For Giving Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity

Notes to the Consolidated Financial Statements
continued

29 Subsidiaries continued

Name	Registered Office Address	Activity
Designed For You Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Designers File Limited(THE)	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Durban Mills Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
E.J. Arnold & Son Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
E.J. Arnold Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
EB2C Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Estore Fulfilment Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Express Gifts Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Express Home Shopping Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
FD1 Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Studio (Toys) Limited (formerly Findel (Toys) Limited)	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Studio 2010 Limited (formerly Findel 2010 Limited)	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Findel Education Group Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Studio Educational Supplies Limited (formerly Findel Educational Supplies Limited)	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Studio Fundraising Limited (formerly Findel Fundraising Limited)	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Studio Gifts Limited (formerly Findel Gifts Limited)	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Studio Healthcare Limited (formerly Findel Healthcare Limited)	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Studio Home Shopping Limited (formerly Findel Home Shopping Limited)	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity

29 Subsidiaries continued

Name	Registered Office Address	Activity
Studio Interactive Limited (formerly Findel Interactive Limited)	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Studio Online Limited (formerly Findel Limited)	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Ace Retail Services Limited (formerly Findel Properties Limited)	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Studio Services Limited (formerly Findel Services Limited)	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Studio Stationary Limited (formerly Findel Stationery Limited)	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Ace Online Retail Limited (formerly Findel Wholesale Limited)	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Fine Art Designs Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Fine Art Developments (Marketing) Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Fine Art Developments (Supplies) Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Fine Art Developments Employee Trust Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Fine Art Developments Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Friends of Nature Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Fundraising Direct Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Galt Education Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
GLS Educational Supplies Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Hamsard 3278 Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Heron Educational Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Hope Adventureplay Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Hope Education Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity

Notes to the Consolidated Financial Statements
continued

29 Subsidiaries continued

Name	Registered Office Address	Activity
Hope Export Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
International Schools Supply Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Ivory Cards Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Jones Williams Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Letterbox Mail Order Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Living and Learning, LIMITED	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Matchmaker Parties Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Miller Leswyn Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Minitogs Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Mistrale Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Natural Reflections Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Naturally Direct Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
NES Arnold Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Philip & Tacey Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Philip Harris Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Philograph Publications Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Pippa Dee International Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Pippa Dee Parties Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Premier Educational Supplies Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Protus Plastics Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Rock Bottom Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity

29 Subsidiaries continued

Name	Registered Office Address	Activity
Rosgill Group Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Rosgill Holdings Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Say It with Ease.com Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
SPA 4 Schools Limited	Units 1-2, Down Business Centre, 55 Antrim Road, Ballynahinch, Co Down, BT24 8AN	Dormant entity*
Standard Debt Collections Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Step By Step Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Studio Cards Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Studio Dee Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Sutcliffe Sport Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
The Dee Group P.L.C.	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Studio Financial Services Limited (formerly The Findel Educational Company Limited)	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Tradersgate Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Unilab Science Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Webb Ivory Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
World Class Learning Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Xpress Gifts Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Studio Financing Limited**	8th Floor 100 Bishopsgate, London, United Kingdom, EC2N 4AG	Special Purpose Vehicle

* indirectly held.
** A controlled entity other than by share ownership.

All subsidiary undertakings are wholly owned (meaning ownership of 100% of all issued share capital), either directly or indirectly, by Studio Retail Group plc and operate mainly in the jurisdiction in which they are registered. There are no other related undertakings to disclose.

Company Financial Statements

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Company Balance Sheet
at 26 March 2021

Company Number: 549034

	Notes	2021 £000	2020 £000
Fixed assets			
Tangible assets	3	**26,675**	29,810
Investment property	5	**8,042**	8,371
Investments	6	**54,473**	59,228
Derivative financial instruments		**–**	2
		89,190	97,411
Current assets			
Derivative financial instruments		**55**	3,248
Debtors: amounts falling due within one year	7	**99,639**	14,008
Cash at bank and in hand		**131**	1,438
		99,825	18,694
Derivative financial instruments		**(2,927)**	(36)
Creditors: amounts falling due within one year	8	**(112,566)**	(45,254)
Net current assets/(liabilities)		**(15,668)**	(26,596)
Total assets less current liabilities		**73,522**	70,815
Creditors: amounts falling due after more than one year	9	**(31,222)**	(119,557)
Provisions for liabilities			
Deferred tax liability	10	**(2,985)**	(5,680)
Other provisions	11	**(575)**	(192)
		(3,560)	(5,872)
Retirement benefit surplus	13	**19,873**	29,931
Net liabilities		**58,613**	(24,683)
Capital and reserves			
Share capital	12	**48,687**	48,644
Retained earnings/(Accumulated losses)		**9,926**	(73,327)
Total equity		**58,613**	(24,683)

Approved by the Board and authorised for issue on 29 June 2021

P R Kendrick Directors
S M Caldwell

The accompanying notes are an integral part of this balance sheet.

Statement of Changes in Equity

52-week period ended 26 March 2021

	Share capital £000	(Accumulated Losses)/ Retained earnings £000	Total equity £000
As at 29 March 2019	48,644	(99,898)	(51,254)
Profit for the period	–	9,311	9,311
Remeasurements in respect of defined benefit plan, net of tax	–	16,825	16,825
Amounts recycled to income statement in respect of cashflow hedge		28	28
Transactions with owners			
Share-based payments	–	407	407
As at 27 March 2020	48,644	(73,327)	(24,683)
Profit for the period	–	92,027	92,027
Remeasurements in respect of defined benefit plan, net of tax	–	(9,749)	(9,749)
Amounts recycled to income statement in respect of cashflow hedge	–	20	20
Transactions with owners			
Issue of shares	43	–	43
Share-based payments	–	955	955
As at 26 March 2021	**48,687**	**9,926**	**58,613**

The total equity is attributable to the equity shareholders of the parent company Studio Retail Group plc.

The accompanying notes are an integral part of this statement of changes in equity.

Notes to the Company Financial Statements

1 Significant accounting policies

Basis of accounting

Studio Retail Group plc is a public limited company incorporated in England. The results of Studio Retail Group plc are included in the consolidated accounts of Studio Retail Group plc which are available from Church Bridge House, Henry Street, Accrington, Lancashire, BB5 4EE. These financial statements present information about the Company as an individual undertaking and not about its group. The separate financial statements of the Company are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and the Companies Act 2006.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Company cash flow statement and related notes.
- Disclosures in respect of transactions with wholly owned subsidiaries.
- Disclosures in respect of capital management.
- The effects of new but not yet effective IFRSs.
- Disclosures in respect of the compensation of key management personnel.

As the consolidated financial statements of Studio Retail Group plc include equivalent disclosures, the Company has also taken exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value Measurement.
- Disclosures required by IFRS 7 Financial Instrument Disclosures.
- Share-based payments – IFRS 2 is being applied to equity instruments that were granted after 7 November 2002 and that had not vested by 28 March 2014.

The accounts are presented in Sterling, rounded to the nearest thousand.

Significant accounting policies

The accounting policies adopted by the Company are consistent with those used in the Group's consolidated financial statements as set out on pages 113 to 129, except for the following items which are only relevant for the Company as a standalone entity.

Investment properties

Investment properties (which include land and buildings) are stated at cost, net of depreciation, and any provision for impairment. Depreciation is calculated to write off all investment properties on a straight-line basis over their estimated useful economic lives. For buildings, the estimated useful economic life is assessed at 50 years. No depreciation is charged in respect of land.

Notes to the Company Financial Statements
continued

1 Significant accounting policies continued

Judgements and key sources of estimation

The preparation of accounts in accordance with generally accepted accounting principles requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The principal judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below:

- IAS 36 'Impairment of assets'. In testing for impairment of investments and other assets, the directors have made certain assumptions concerning the future development of its subsidiary businesses that are consistent with their annual budgets and forecasts into perpetuity. Should these assumptions regarding the discount rate or growth in the profitability be unfounded then it is possible that investments included in the balance sheet could be impaired.

The recoverable amount of the Education CGU was determined from the fair value less cost to sell (FVLCS) calculation. FVLCS has been based on the agreed sale price less disposal costs incurred.

- Discount rate for pension scheme liabilities (note 13)

  At 26 March 2021 the Group and Galt sections of the Findel Group Pension Fund, of which the Company is the sponsoring employer, showed a net surplus of £19.9m (2020: £29.9m). Management makes use of the PwC Single Agency corporate bond yield curve to derive the discount rate applied to the scheme's projected cash flows, in the calculation of its liabilities under IAS 19. Changes to the discount rate applied could lead to significant changes in the level of liabilities recognised. Sensitivity analysis in this regard can be found in note 13.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any of the future periods affected.

2 Profit for the period

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own income statement for the year. The Company reported a profit for the financial period ended 26 March 2021 of £92,027,000 (2020: profit of £9,311,000).

The Auditor's remuneration for audit services to the Company was £125,000 (2020: £155,000).

3 Tangible fixed assets

	Leasehold land and buildings £000	Fixtures and equipment £000	Total £000
Cost			
At 29 March 2019	404	83	487
Impact of IFRS 16	26,970	–	26,970
At 30 March 2019	27,374	83	27,457
Additions	7,389	1	7,390
At 27 March 2020	34,763	84	34,847
At 26 March 2021	**34,763**	**84**	**34,847**
Accumulated depreciation			
At 29 March 2019	364	67	431
Impairment of right of use asset	1,159	–	1,159
Charge for the period	3,439	8	3,447
At 27 March 2020	4,962	75	5,037
Impairment Reversal	(522)	–	(522)
Charge for the period	3,652	5	3,657
At 26 March 2021	**8,092**	**80**	**8,172**
Carrying amount			
Net book value at 26 March 2021	**26,671**	**4**	**26,675**
Net book value at 27 March 2020	29,801	9	29,810

4 Leases

The Company leases assets including buildings and plant and equipment that are held within property, plant and equipment. The Company also has certain leases of plant and equipment with lease terms of 12 months or less and leases of office equipment with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Information about leases for which the Company is a lessee is presented below.

	2021 £000	2020 £000
Net book value of property, plant and equipment owned	**35**	43
Net book value right of use assets	**26,640**	29,767
	26,675	29,810

Net book value of right of use assets

	Land and buildings - Leasehold £'000
At 30 March 2019	26,970
Additions	7,389
Impairment	(1,159)
Depreciation	(3,433)
At 27 March 2020	29,767
Impairment reversal	522
Depreciation	(3,649)
At 26 March 2021	**26,640**

Notes to the Company Financial Statements
continued

4 Leases continued
Lease liabilities in the balance sheet
A maturity analysis of contractual undiscounted cash flows relating to lease liabilities is as follows:

	At 26 March 2021 £000	At 27 March 2020 £000
Within one year	**5,115**	5,115
In the second to fifth years	**16,477**	17,863
After five years	**26,179**	29,908
	47,771	52,886

	At 26 March 2021 £000	At 27 March 2020 £000
Current	**(5,058)**	(5,058)
Non-current	**(31,222)**	(34,557)
	(36,280)	(39,615)

The total interest charged to finance costs in relation to leases was £1,779,000 (2020: £1,722,000). No expense charge has been recorded for low value or short-term leases (2020: £nil).

5 Investment Property

	Land and buildings £000
Cost	
At 29 March 2019	17,234
At 27 March 2020	17,234
At 26 March 2021	**17,234**
Accumulated depreciation	
At 29 March 2019	8,537
Charge for the period	326
At 27 March 2020	8,863
Charge for the period	329
At 26 March 2021	**9,192**
Carrying amount	
Net book value at 26 March 2021	**8,042**
Net book value at 27 March 2020	8,371

Investment property relates to a freehold property held by the Company for the purposes of obtaining rental income from a subsidiary undertaking. Rental income of £805,000 (2020: £805,000) was recorded in the income statement in the current period.

The fair value of the property at 25 March 2016 was determined by an external, independent expert with the appropriate professional qualifications and experience and was assessed at £9,700,000. This remains appropriate in the current year, given that there has been no indication that the assumptions used in the valuation have changed significantly.

Investment property includes land costing £800,000 (2020: £800,000) on which no depreciation is charged.

6 Investments

	Shares in subsidiary undertakings £'000
Cost	
At 29 March 2019	181,461
At 27 March 2020	181,461
At 26 March 2021	**181,461**
Provisions	
At 29 March 2019	122,233
At 27 March 2020	122,233
Impairment	4,755
At 26 March 2021	**126,988**
Carrying amount	
Net book value at 26 March 2021	**54,473**
Net book value at 27 March 2020	59,228

A full listing of subsidiary undertakings can be found in note 29 to the consolidated financial statements.

The recoverable amount of the Education investment was determined from a fair value less cost to sell (FVLCS) calculation. FVLCS has been based on the agreed sale price less disposal costs incurred. The estimated recoverable amount was £43.9m, lower than its carrying value by £4.8m and as such an impairment of the investment has been recorded.

7 Debtors: amounts falling due within one year

	2021 £000	2020 £000
Amounts due from subsidiary undertakings	**97,592**	10,080
Trade debtors	**4**	106
Other debtors	**300**	982
Corporation tax	**507**	1,718
Prepayments and accrued income	**1,236**	1,122
	99,639	14,008

Loans between the Company and its trading subsidiaries are repayable on demand and attract interest at a rate of 3.0% per annum (2020: 4.6% per annum).

8 Creditors: amounts falling due within one year

	2021 £000	2020 £000
Bank loans and overdrafts	**30,201**	19,889
Trade creditors	**550**	943
Amounts due to subsidiary undertakings	**6,719**	16,959
Lease liabilities	**5,058**	5,058
Other creditors	**979**	871
Accruals and deferred income	**4,059**	1,534
Bank Loans	**65,000**	–
	112,566	45,254

Loans between the Company and its trading subsidiaries are repayable on demand and attract interest at a rate of 3.0% per annum (2020: 4.6% per annum).

Notes to the Company Financial Statements
continued

8 Creditors: amounts falling due within one year continued

The average interest rates paid on the bank loans was 3.47%. The average interest rates quoted in the current period includes fees relating to the extension of the Company's lending facilities (described in note 18 to the consolidated financial statements). The average interest rate excluding these fees was 2.89%.

9 Creditors: amounts falling due after more than one year

	2021 £000	2020 £000
Lease liabilities	**31,222**	34,557
Bank loans	**–**	85,000
	31,222	119,557

The average interest rates paid in the prior period on the bank loans was 3.83%. The average interest rates quoted in the prior period includes fees relating to the extension of the Company's lending facilities (described in note 18 to the consolidated financial statements). The average interest rate excluding these fees was 3.41%.

10 Deferred tax

Recognised deferred tax

	Retirement benefit obligations £000	Fixed asset timing differences £000	Accelerated capital allowances £000	Total £000
As at 29 March 2019	3,430	(7)	–	3,423
Recognised in other comprehensive income	2,624	–	–	2,624
Charge recognised in the income statement	371	–	–	371
Impact of change in rate of corporation tax	(738)	–	–	(738)
As at 27 March 2020	5,687	(7)	–	5,680
Recognised in other comprehensive income	(2,287)	–	–	(2,287)
Charge recognised in the income statement	(116)	–	–	(116)
Recognised in reserves	–	–	(292)	(292)
Impact of change in rate of corporation tax	–	–	–	–
As at 26 March 2021	**3,284**	**(7)**	**(292)**	**2,985**
As at 26 March 2021				
Deferred tax liabilities	**3,284**	**–**	**–**	**3,284**
Deferred tax assets	**–**	**(7)**	**(292)**	**(299)**
As at 27 March 2020				
Deferred tax liabilities	5,687	–	–	5,687
Deferred tax assets	–	(7)	–	(7)

The deferred tax liability in respect of the defined benefit pension plan surplus has been calculated using the prevailing corporation tax rate of 19% (2020: 19%).

Deferred tax liabilities are recognised in full. Recognition of deferred tax assets is based on management's assumptions that it is probable that the Company will have taxable profits against which the unused tax losses and deductible temporary timing differences can be utilised. Generally, in determining the amounts of deferred tax assets to be recognised, management uses profitability information and forecasted operating results based on approved business plans.

In the current period, management has deemed it appropriate to recognise deferred tax assets of £nil in respect of the Galt section of the Findel Group pension Fund, which is in a deficit position (this is shown net of the deferred tax liability in respect of the Group section of the fund which is in a surplus position) and £7,000 in respect of fixed asset timing differences. This is on the basis that current tax relief obtained on the payment of pension contributions and claiming of capital allowances can be surrendered to the Company's subsidiaries via group relief.

10 Deferred tax continued

The aggregate value of deferred tax assets which have not been recognised is £7,142,000 (2020: £7,142,000). These amounts primarily relate to carried forward tax losses. No asset has been recognised in respect of these differences because there is insufficient evidence that the Company will make suitable future taxable profits against which these assets may be utilised.

The deferred tax assets and liabilities at 26 March 2021 have been calculated at 19% (2020: 19%), being the corporation tax rate substantively enacted at the balance sheet date. Subsequent to the year-end, an increase in UK corporation tax rate to 25% (effective 1 April 2023) was substantively enacted. This will increase the Company's future current tax charge accordingly.

11 Other provisions

	Onerous leases £000
At 29 March 2019	8,843
Impact of IFRS 16	(8,301)
Utilised during the period	(350)
At 27 March 2020	192
Utilised during the period	(139)
Provided in the period	522
At 26 March 2021	**575**

Analysed as:	
Non-current	354
Current	221

Onerous lease provisions

The onerous lease provision at 26 March 2021 relates to (non-rent related) unavoidable costs in respect of the unused areas of the group's properties at Enfield and Hyde.

12 Called-up share capital

During the year, the Company had three classes of ordinary shares, neither of which carry any right to fixed income.

Ordinary shares of 10p each

	2021 Number of shares	2020 Number of shares	**2021 £000**	2020 £000
At the beginning of the period	**86,442,534**	86,442,534	**8,644**	8,644
Issue of shares	**425,000**	–	**43**	–
At the end of the period	**86,867,534**	86,442,534	**8,687**	8,644

Share issue – December 2020

The Group issued 425,000 new ordinary shares of 10 pence each on 11 December 2020 in the capital of the Company to the Trustees of The Fine Art Developments Employee Trust ("EBT"). The shares rank equally with the existing issued ordinary shares. The New Ordinary Shares are intended to be used by the EBT to satisfy requests received from directors and employees of the Group to exercise awards previously granted under the Company's Performance Share Plan 2016.

Notes to the Company Financial Statements
continued

12 Called-up share capital continued

Convertible ordinary shares of 23.97p each

	2021 Number of shares	2020 Number of shares	2021 £000	2020 £000
At the beginning of the period	**166,878,704**	166,878,704	**40,000**	40,000
Shares converted to non-voting deferred shares	**(166,878,704)**	–	**(40,000)**	–
At the end of the period	**–**	166,878,704	**–**	40,000

Non-voting deferred shares of 23.97p each

	2021 Number of shares	2020 Number of shares	2021 £000	2020 £000
At the beginning of the period	**–**	–	**–**	–
Shares converted to non-voting deferred shares	**166,878,704**	–	**40,000**	–
At the end of the period	**166,878,704**	–	**40,000**	–

On 23 March 2021 , the conversion rights attaching to the 166,878,704 convertible shares of 23.97 pence each in issue in the capital of the Company (the "Convertible Shares") have lapsed in accordance with their terms of issue and accordingly, as a result of such lapse, no Ordinary Shares will be issued to holders of the Convertible Shares.

In accordance with the articles of association of the Company, such Convertible Shares had automatically converted into 166,878,704 non-voting deferred shares having the rights and restrictions set out in the Articles (the "Deferred Shares"). The Deferred Shares confer on the holders of such shares no right to notice of or to attend or vote at general meetings of the Company nor any right to participate in the profits of the Company available for distribution. The Deferred Shares confer on the holders of such shares no rights to call for the issue to them of Ordinary Shares. The Deferred Shares are not listed on any stock exchange.

13 Retirement benefits

Defined contribution pension scheme

The Company operates a defined contribution retirement benefit plan for all qualifying employees. The pension cost for the period represents contributions payable by the Company to the scheme and amounted to £230,000 (2020: £207,000).

There were no outstanding contributions payable to the scheme at 26 March 2021 (2020: £nil).

Defined benefit pension schemes

Studio Retail Group plc is the main sponsor of two sections of the Findel Group Pension Fund, a defined benefit pension plan, the Group section and the Galt section. The other two sections are the Education section and the Philip and Tacey section. The combined scheme is administered by Barnet Waddingham LLP. Only the costs and liabilities associated with the Group section and Galt section of the Findel Group Pension Fund scheme relate to Studio Retail Group plc. There is no contractual agreement or stated policy for charging the net defined benefit cost of the Group and Galt sections and so Studio Retail Group plc has recognised the entire net benefit cost of these two sections in its financial statements.

Group Section

The last funding valuation of the Scheme was undertaken at 5 April 2019 and recorded a surplus of £1,477,000 in respect of the Group section. Subsequent to the disposal of Education, a revision was made to the contribution schedule due to an improvement in investment performance and the one-off payment of £9,000,000 paid into the scheme in May 2021. The Company agreed to pay deficit reduction contributions of: £1,230,000 p.a. for the period between 1 April 2019 and 31 March 2021, £nil for the period 1 April 2021 to 31 May 2021, £3,895,000 for the period 1 June 2021 to 31 March 2021, £4,105,000 p.a for the period to 31 March 2023 and £2,000,000 for the period from 1 April 2023 to 30 September 2023. The latest full actuarial valuation has been updated for IAS 19 purposes to 26 March 2021 by PricewaterhouseCoopers LLP ('PwC') using the assumptions detailed below.

Company contributions to the Group section for the upcoming financial year are expected to be £3,895,000 in line with the current Schedule of Contributions.

13 Retirement benefits continued

Galt Section

The last funding valuation of the Scheme was undertaken at 5 April 2019 and recorded a surplus of £1,477,000 in respect of the Galt section. Subsequent to the disposal of Education, a revision was made to the contribution schedule due to an improvement in investment performance and the one-off payment of £9,000,000 paid into the scheme in May 2021. The Company agreed to pay deficit reduction contributions of: £560,000 p.a. for the period between 1 April 2019 and 31 March 2021, £225,000 for the period 1 April 2021 to 31 May 2021, £nil for the period 1 June 2021 to 31 March 2021, £15,000 p.a for the period to 31 March 2023 and £60,000 for the period from 1 April 2023 to 30 September 2023. The latest full actuarial valuation has been updated for IAS 19 purposes to 26 March 2021 by PricewaterhouseCoopers LLP ('PwC') using the assumptions detailed below.

Company contributions to the Galt section for the upcoming financial year are expected to be £225,000, in line with the current Schedule of Contributions and a one off contribution of £1,850,000 following the disposal of Findel Education post year-end.

The results of the IAS 19 valuation for both sections are summarised as follows:

	2021			2020		
	Group £000	**Galt £000**	**Total £000**	Group £000	Galt £000	Total £000
Fair value of scheme assets	**124,586**	**4,569**	**129,155**	125,176	3,565	128,741
Present value of funded obligations	**(103,813)**	**(5,469)**	**(109,282)**	(93,761)	(5,049)	(98,810)
Surplus/(deficit) in the scheme	**20,773**	**(900)**	**19,873**	31,415	(1,484)	29,931

The weighted average duration of the Scheme's IAS 19 liabilities is 16.0 years in respect of the Group section and 16.0 years in respect of the Galt section.

Plan assets

	2021			2020		
	Group £000	**Galt £000**	**Total £000**	Group £000	Galt £000	Total £000
Plan assets comprise:						
Equities	**23,572**	**2,359**	**25,931**	33,704	1,947	35,651
Bonds	**94,786**	**1,660**	**96,446**	79,452	366	79,818
Other	**6,228**	**550**	**6,778**	12,020	1,252	13,272
	124,586	**4,569**	**129,155**	125,176	3,565	128,741

Movement in the present value of defined benefit obligations

	2021			2020		
	Group £000	**Galt £000**	**Total £000**	Group £000	Galt £000	Total £000
At beginning of period	**(93,761)**	**(5,049)**	**(98,810)**	(102,111)	(5,793)	(107,904)
Past service cost [(1)]	**(558)**	**(16)**	**(574)**	–	–	–
Interest expense	**(2,301)**	**(125)**	**(2,426)**	(2,454)	(140)	(2,594)
Effect of changes in demographic assumptions	**2,280**	**131**	**2,411**	1,366	17	1,383
Effect of changes in financial assumptions	**(13,914)**	**(641)**	**(14,555)**	3,562	238	3,800
Effect of experience adjustments	**860**	**66**	**926**	2,302	495	2,797
Benefits paid	**3,581**	**165**	**3,746**	3,574	134	3,708
At end of period	**(103,813)**	**(5,469)**	**(109,282)**	(93,761)	(5,049)	(98,810)

Notes to the Company Financial Statements
continued

13 Retirement benefits continued

Movement in the fair value of plan assets

	2021			2020		
	Group £000	Galt £000	Total £000	Group £000	Galt £000	Total £000
At beginning of period	**125,176**	**3,565**	**128,741**	113,108	3,334	116,442
Interest on assets	**3,095**	**94**	**3,189**	2,737	86	2,823
Return on scheme assets - remeasurements	**(1,334)**	**515**	**(819)**	11,726	(258)	11,468
Company contributions	**1,230**	**560**	**1,790**	1,179	537	1,716
Benefits paid	**(3,581)**	**(165)**	**(3,746)**	(3,574)	(134)	(3,708)
At end of period	**124,586**	**4,569**	**129,155**	125,176	3,565	128,741

Movement in the pension surplus/(deficit)

	2021			2020		
	Group £000	Galt £000	Total £000	Group £000	Galt £000	Total £000
At beginning of period	**31,415**	**(1,484)**	**29,931**	10,997	(2,459)	8,538
Past service cost(1)	**(558)**	**(16)**	**(574)**	–	–	–
Net interest income/(cost)	**794**	**(31)**	**763**	283	(54)	229
Remeasurements	**(12,108)**	**71**	**(12,037)**	18,956	492	19,448
Company contributions	**1,230**	**560**	**1,790**	1,179	537	1,716
At end of period	**20,773**	**(900)**	**19,873**	31,415	(1,484)	29,931

Amounts recognised in the income statement

	2021			2020		
	Group £000	Galt £000	Total £000	Group £000	Galt £000	Total £000
Past service cost(1)	**(558)**	**(16)**	**(574)**	–	–	–
Net interest income/(cost)	**794**	**(31)**	**763**	283	(54)	229
	236	**(47)**	**189**	283	(54)	229

Amounts recognised in other comprehensive income

	2021			2020		
	Group £000	Galt £000	Total £000	Group £000	Galt £000	Total £000
Total Remeasurements	**(12,108)**	**71**	**(12,037)**	18,956	492	19,448

(1) In October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The latest ruling in November 2020, the 'Lloyds III judgment', concluded that scheme will now need to review past transfer values and consider whether any top up would be required to equalise those benefits. There is no limit to the lookback period and Trustees will need to consider any transfer values paid where a member has accrued service between 17 May 1990 and 5 April 1997. After discussion with the trustees, actuaries and legal advisors of our fund, a past service cost of £574,000 was recognised in the period to address this historical issue.

Notes to the Company Financial Statements
continued

13 Retirement benefits continued
Actuarial Assumptions – Group and Galt sections
The following are the principal actuarial assumptions at the reporting date:

	2021	2020
Financial Assumptions		
Discount rate for scheme liabilities	**1.95%**	2.50%
RPI Price Inflation	**3.35%**	2.75%
CPI Price Inflation	**2.70%****	1.85%
Rate of increase to pensions in payment in line with RPI inflation (up to 5% per annum)	**3.25%**	2.75%
Rate of increase to pensions in payment in line with CPI inflation (up to 5% per annum)	**2.70%****	1.90%
Rate of increase to deferred pensions	**2.70%****	1.85%
Post retirement mortality (in years)		
Current pensioners at 65 – male	**86.5 yrs**	86.1 yrs
Current pensioners at 65 – female	**88.4 yrs**	87.3 yrs
Future pensioners at 45 – male	**87.8 yrs**	87.8 yrs
Future pensioners at 45 – female	**89.8 yrs**	89.7 yrs
Demographic Assumptions		
Cash Commutation (members taking cash lump sum)	**60%**	60%
Proportion of members that are married at retirement	**70%**	70%
Proportion of members taking TPIE option*	**15%**	15%
Age at which members are assumed to take TPIE option*	**61.0 yrs**	61.0 yrs

Assumptions regarding post retirement mortality are based on published statistics and mortality tables - 113% S3NMA/124% S3NFA – CMI 2020 1.25% p.a. (2020: S2NXA – CMI 2019 1.25% p.a.)

* The Scheme has an embedded option at retirement for members to take TPIE (Total Pension Increase Exchange), following bulk exercises carried out in late 2014 and early 2015. Since this option is a formalised ongoing process, allowance has been made for this in calculating the IAS 19 liability. A 15% take up at an average age of 61.0 years has been assumed, based upon take up rates seen to date.

** The CPI inflation and CPI - linked pension increases assumptions are based on the single equivalent CPI inflation assumption across all sections of the Scheme, assuming a pre 2030 RPI CPI gap of 1.0% p.a. and a post 2030 RPI CPI gap of 0.0% p.a. The actual single equivalent values adopted for each section will vary based on the benefits provided and the membership statistics.

Sensitivities
The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Group section

		Impact on scheme liabilities	
Assumption	Change in Assumption	if assumption increases	if assumption decreases
Discount rate	0.50%	Decrease by 7.2%	Increase by 8.1%
Inflation	0.50%	Increase by 3.1%	Decrease by 3.0%
Salary increases	0.50%	No change	No change
Longevity	1 year	Increase by 5.2%	Decrease by 5.0%

Galt section

		Impact on scheme liabilities	
Assumption	Change in Assumption	if assumption increases	if assumption decreases
Discount rate	0.50%	Decrease by 7.2%	Increase by 8.1%
Inflation	0.50%	Increase by 3.1%	Decrease by 3.0%
Salary increase	0.50%	No change	No change
Longevity	1 year	Increase by 5.2%	Decrease by 5.0%

The above sensitivities are approximate and show the likely increase to each section's liabilities under IAS 19 if an assumption is adjusted whilst all other assumptions remain the same. The sensitivities are for illustration purposes only and do not necessarily represent the directors' view of the expected changes to the assumptions in the future.

Notes to the Company Financial Statements
continued

13 Retirement benefits continued

Risks

Investment risk

Allowance is made in the assumptions for the expected long-term performance of asset classes such as equities. There is a risk that these returns will not be achieved in practice, which would result in an increase in the Scheme's liabilities and further contributions being required. Further, the value of the Scheme's assets may not move in line with the Scheme's liabilities – either because the Scheme invests in volatile assets whose value might fall, or because the value of the liabilities has increased due to falling interest rates and the assets are not of sufficient duration to keep up (or a combination of these).

Inflation

In projecting the expected future benefit payments, assumptions are made regarding future price inflation. There is a risk that the actual rate of inflation will be higher than assumed which will increase the cost of providing the benefits and thus the liability. This would result in additional contributions being required and a deterioration in the solvency position unless investment returns are similarly higher than expected.

Mortality

It is not possible to predict with any certainty how long members of the Scheme will live, and if members live longer than expected, additional contributions will be required and the Scheme's solvency position will deteriorate.

Managing risk

To manage the risks of the Scheme, TPIE exercises were carried out during 2015 and 2016, which resulted in a number of members transferring out of the Scheme. The TPIE option has now been embedded within the scheme.

IFRIC 14

IFRIC 14 is an interpretation relating to IAS 19 that covers whether pension scheme surpluses can be recognised on the balance sheet. Based on the circumstances of the Fund and in line with the prior period, management do not believe that IFRIC 14 impacts the IAS 19 results since the Company has a right to a refund of surplus assets at some point in the future, and as such have not made any adjustments to the results.

The following table shows the expected future benefit payments for the Group and Galt sections of the Findel Group Pension Fund:

Findel Group Pension Fund (expected future benefit payments)	Group £000	Galt £000
2021 – 2030	36,645	1,976
2031 – 2040	43,182	2,489
2041 – 2050	37,611	2,041
2051 – 2060	22,096	930
2061 – 2070	5,124	159
2071 – 2080	340	4
2081 – 2090	4	–
2091 – 2100	–	–
After 2100	–	–
Total	**145,002**	**7,599**

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