The directors present their annual report and audited financial statements for the 52 weeks ended 30 December 2023 (2022: 53 weeks ended 31 December 2022).

Principal activities

The group is engaged in the design and retailing of women's, men's and children's clothing and accessories in the UK, Ireland, and the rest of the world. Sales are made through stores, the website, franchise, wholesale and marketplace agreements with selected partners locally and internationally.

Results and dividends

The consolidated profit and loss account is set out on page 21, and consolidated statement of comprehensive income is set out on page 22, which show the group's results for the period. The directors did not declare any dividends in 2023 (2022: nil).

The loss before taxation for the 52 weeks ended 30 December 2023 was £32.2m (2022: profit of £7.5m). The group had total assets of £392.4m as at 30 December 2023 (2022: £426.7m) and total liabilities of £194.1m as at 30 December 2023 (2022: £200.1m).

Business review and future developments

Overall reported turnover for the year decreased by 15.1% to £701.5m (2022: £825.8m), or 12.7% after adjusting for the impact of the 53rd week in the prior year. The reduction in sales, as well as cost of goods inflation and the cost of clearing excess stock, resulted in a reduction in gross profit to £46.7m (2022: £75.8m). This combined with operating costs inflation, primarily due to wage increases, led to a loss after tax of £24.4m (2022: profit of £5.5m). For further details, see key performance indicators on page 3. Despite this, the group continued to operate with strong cash and balance sheet position, closing the year with £63.1m (2022: £110.9m) of cash and a net assets position of £198.3m (2022: £226.6m).

2023 was a year of reset for the business. Product ranges have been refocussed and a new leadership structure put in place with several key senior hires. The business has invested in customer proposition – with stronger product ranges, an enhanced shopping environment in stores and an elevated digital experience.

The business is now starting to see the benefits from the investment. Customers are reacting positively and that is delivering improved business performance. Despite the challenging trading environment so far this year, we remain positive about the outlook.

Principal risks and uncertainties

The market for retailing of fashion clothing is fast changing with customer preferences for more diverse, convenient and speedier shopping journeys and with increasing competition especially in the digital space. The key business risks for the group are the pressures of a highly competitive and changing retail environment combined with increased economic uncertainty. A number of geopolitical events have resulted in continuing supply chain disruption as well as energy, labour and food price increases, driving inflation and interest rates higher and resulting in weaker disposable income and lower consumer confidence. The group is exposed to a variety of risks including financial, operational, strategic and reputational risks. The group responds to these risks as follows.

Financial

The main financial risks the group is exposed to are credit risk from its trade debtors, comprised mainly of credit card payments and debtors from franchise, wholesale and marketplace partners and trade creditors relating to purchases made in foreign currencies and general foreign exchange (FX) volatility and cashflow fluctuations.

To mitigate these risks, the group:

- Monitors payment terms and partner relationships.
- Has credit insurance in place for certain partners.
- Monitors the FX market daily and has systems and procedures in place to respond quickly to market movements, such as entering into forward foreign exchange contracts.
- Carries out in depth budgeting, planning and forecasting activities, controls costs and closely monitors cash reserves.

Principal risks and uncertainties (continued)

Competitive retail environment

The group competes with a diverse range of retailers – across both physical and online channels – in an increasingly challenged sector faced with continued pressures, changes in consumer behaviour and macroeconomic uncertainties. Delivering competitive product ranges across all our selling channels with a clear and competitive customer proposition is critical to the business.

Supply chain

River Island's supply chain may suffer disruptions, such as the Red Sea shipping crisis, due to geopolitical events. Such disruptions may mean that we cannot get stock in the right place at the right time. This could lead to stock build-ups, shortages and/or delays which may adversely impact sales, and increased costs, impacting margins.

People

Our people are the key to our success. Challenges in attracting, developing and retaining a diverse talent base across our business may impede the delivery of our strategy and impact our broader strategic objectives and performance.

Information security

As a retailer reliant on digital technology to run our operations and trusted with customer and employee data, we are aware of the constantly evolving threats to cybersecurity. Failure to adequately prevent or respond to a data breach or cyber-attack could adversely impact our reputation and lead to significant fines and business interruption.

To mitigate the risk, the group has:

- Implemented key customer insight initiatives to focus on better understanding customer wants in terms of product design, stores, presentation, service and style advice.
- Continued to invest in our store estate including new store formats and upgrades like Manchester Trafford Centre. New technologies such as self-checkout and digital fitting rooms have also been rolled out to more stores.
- Strengthened the management and executive team with hires that have a wealth of retail experience.
- Expanded its wholesale offering through marketplace models with key partners, increasing flexibility, scalability and reach in terms of customers and product ranges.

To mitigate these risks, the group has:

- Continued to work closely with our experienced third-party logistics partners, including in the development and review of business continuity plans.
- Implemented a new warehouse management system to improve service, reduce costs and be better able to adapt to changes in market and channel requirements.
- Maintained robust oversight over inventory levels, including reviewing and minimising stockholdings at third party sites.
- Continued to review our supply base to minimise reliance on any one key supplier or geography.
- Monitored the potential impacts of geopolitical events.

To mitigate these risks, the group has:

- Continued to invest in external hires to strengthen capability and diversity of talent at all levels.
- Invested in internal talent to strengthen the leadership pipeline and develop our future leaders.
- Continued to review pay and benefits, implementing new initiatives such as holiday and additional leave purchase scheme. Employees have continued to be assisted with the cost of living crisis by support packages across stores and head office and the launch of the River Island Care Fund.

To mitigate the risk, the group has:

- A dedicated Information Security function and ongoing review of cyber controls.
- Established governance forums such as our GDPR Steering Committee.
- Established business continuity and disaster recovery plans.
- Firewalls in place and various types of vulnerability scanning and penetration testing carried out, using external expertise where appropriate to supplement our in-house capabilities.

Principal risks and uncertainties (continued)

Social, ethical and environmental responsibility

River Island is mindful of the impact its operations and those of the fashion industry can have on the planet and people and we are committed to playing our part in making fashion a force for good. If we do not effectively manage sustainability and environmental issues and fail to deliver against our commitments, we fail to meet the expectations our stakeholders have of the River Island brand.

Legal and regulatory compliance

We recognise that there are a wide range of legal and regulatory requirements that we must comply with to protect our customers, people, product and operations. The regulatory landscape continues to broaden and if we do not manage compliance to these requirements effectively, we may suffer reputational damage, financial penalties, increased costs to remediate issues and even prosecution.

To mitigate the risk, the group has:

- Established Twelve Commitments for People and Planet which are aligned to the United Nations Sustainable Development Goals against which we measure our progress and publish updates.
- Developed plans and embedded tools to continue increasing transparency in our global supply chain, promoting ethical treatment of workers and improving the sustainable attributes of our products.
- Committed to the British Retail Consortium's Climate Roadmap to net-zero emissions by 2040, in owned operations as well as the entire supply chain. Engaged The Carbon Trust to support us in developing a roadmap to achieve this target including a modelling tool for decarbonisation..
- Continued and expanded initiatives such as our Takeback scheme and used garment resale in partnership with Reskinned Resources Limited.

To mitigate these risks, the group has:

- Appropriately qualified and experienced in-house capabilities including Fire, Health and Safety, Product Compliance, Ethical Sourcing, Legal, Retail Risk, Tax, and Internal Audit teams.
- Established governance forums in place with senior management representation such as Fire, Health and Safety Leadership Group and GDPR Steering Committee.
- Continued to review and update policies as appropriate, supplemented by mandatory training for our staff on key risk areas.

Key performance indicators

The directors monitor group performance on both weekly and periodic (four-weekly) cycles using a wide range of financial and non-financial indicators including turnover, gross profit, operating profit and store footfall. Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA), individual store performance and a robust approval and tracking process on investment are monitored regularly to ensure that the group is maximising the use of its assets.

	52 weeks ended 53 weeks ended		
	2023	2022	Change
Financial indicators	£million	£million	%
Turnover	701.5	825.8	(15.1%)
Gross profit	46.7	75.8	(38.2%)
Operating (loss)/profit	(34.1)	7.4	(560.5%)
EBITDA (operating (loss)/profit plus depreciation and amortisation)	(12.4)	26.6	(146.5%)
Inventories	110.0	117.3	(6.2%)
Cash at bank and in hand	63.1	110.9	(43.1%)
Non-financial indicators			
Store footfall (m)	96.0	107.4	(10.6%)
Intensity Metric (Gross emissions) tCO2e/ Gross Sales Area 1000 m2	38.1	39.6	(3.8%)

Research and development

The group incurred expenditure of £1.8m (2022: £1.0m) in the field of research and development in relation to IT software.

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor RSM UK Audit LLP, Chartered Accountants, have been appointed to office.

Section 172(1) Statement

This report sets out how the board of River Island Holdings Limited complies with the requirements of section 172 of the Companies Acts 2006 (the "Act" and "s172") and how it engages with stakeholders.

S172 of the Act requires directors to take into consideration the interests of stakeholders and other matters in their decision making. The directors of the group continue to have regard to the interests of the group's employees and other stakeholders, such as customers and suppliers, and the impact of its activities on the community, the environment, and the group's reputation for good business conduct, when making decisions. In this context, acting in good faith and fairly, the directors consider what is most likely to promote the success of the group for its members in the long term. The directors understand the need to regularly review the identity of key stakeholder groups.

The directors are fully aware of their responsibilities to promote the success of the group in accordance with s172 of the Act and the company secretary ensures sufficient consideration is given to issues relating to matters set out in s172(a)-(f).

S172. Duty to promote the success of the company;

- (1) A director of a company must act in a way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:
- (a) The likely consequences of any decision in the long term;
- (b) The interests of the company's employees;
- (c) The need to foster the company's business relationships with suppliers, customers and others;
- (d) The impact of the company's operations on the community and the environment;
- (e) The desirability of the company maintaining a reputation for high standards of business conduct; and
- (f) The need to act fairly as between members of the company.

In 2023, the business faced many challenges in the economic environment both in the UK and globally, as businesses and their customers tackled a cost of living crisis, interest rates increased, and the world experienced a number of geopolitical events. The board acknowledges its responsibilities as a trusted employer, customer, and business operator and makes decisions to ensure the long term interests and successes of its partners and stakeholders are a priority. The board places a high standard on itself to operate the business in such a way that it can remain a sustainable long-term going concern, a conscientious employer, a responsible and considerate member of the global community, and a valuable partner to the wider group of stakeholders it works with.

Principal decisions

The River Island board works closely with its company executives to ensure that all decisions made are in the best interest of the group and its stakeholders. The board considers its principal decisions to be those that have significant long-term implications for the group and its stakeholders. The principal decisions taken by the board in the financial year were:

- Appointment of a new Executive Chairman (effective 1 January 2023).
- Appointment of a new senior leadership team.
- Formation of a new Finance Committee.
- Adoption of a new corporate governance Guidance Book.

Section 172(1) Statement (continued)

Shareholders

As a family-owned private business, the River Island board includes members of the shareholding family who meet regularly to ensure that the business operates in a transparent and responsible manner, which underpins its long-term sustainability. The shareholders bring generations of knowledge and experience to support the group's decision making on strategy and future development of the River Island brand.

In addition to meetings of the board, and to ensure there is a clear line of communication between the business and business owners, regular meetings and dialogue take place between individual shareholders and the group's executives as well as independent advisors. The Chairman also hosts periodic shareholder updates and invites all shareholders to participate. These cover the group's financial performance, strategic direction, investment decisions and product, and questions are invited for discussion.

Employees

We employ a diverse team of talented people across the business who are at the heart of serving our customers. We aim to attract, grow, and retain the best talent, creating an environment where everyone can thrive. We promote diversity and inclusivity across the business, and the passion, expertise, warmth, and diversity of our team is vital to our ongoing success.

During the year, we continued a number of initiatives to support our employees with their wellbeing and cost-of -living pressures, including the launch of a River Island Care Fund for employees in partnership with Retail Trust.

Further details of how the directors have engaged with employees and taken their interest into consideration can be found in the 'Engagement with employees' section of the directors' report on page 9.

Customers

Customers sit at the heart of the business and delivering excellent product and service, wherever they shop, is paramount. Directors actively engage with the customers through a number of channels including stores, social media and direct interviews to better understand their needs and concerns. Feedback received by the customer contact centre is regularly reported and reviewed. Executive directors provide updates to the board on customer perceptions and the market sentiment.

The interests of customers are considered in all key decisions, including store portfolio changes, product range development, selection and monitoring of suppliers to ensure quality and safety standards are met, sustainability goals and environmental concerns, amongst many others.

The business recognises that its stores are a huge asset for the business and the place they can connect most closely with customers. The business is therefore investing heavily into its store estate to focus on connecting with customers and enhancing their experience in shopping with River Island and their connection to our brand.

Communities

Being a socially responsible business and creating a positive impact on all the communities it operates in has always been an integral part of the group's culture.

As a fashion business, the group is mindful of its impact on the communities it operates in. They and the wider public expect it to act as a responsible company and neighbour, and to minimise any adverse impact on local communities and the environment. Interests of all the communities have helped to shape the work on sustainability strategy over the year.

Section 172(1) Statement (continued)

Suppliers and partners

Strong relationships and engagement with suppliers and partners are fundamental to the success of the business. The group is proud of its relationships with these stakeholder groups, the majority of which are long-term.

The group's suppliers' and partners' interests include the long-term success of River Island, fair terms, long term partnerships and ethical conduct. The group shares its strategic priorities with its suppliers and partners through regular dialogue and events. It has a strong and productive working relationship with its wholesale and franchise partners, underpinned by clear commercial agreements. The group works collaboratively with all its partners to deliver outcomes in the best interest of both parties. A large number of its supplier relationships span a number of years. The group report on and regularly assesses the results of its Payment Practises Reporting and reviews the terms in place to ensure they remain fair. It also offers access to supply chain finance programme via a third party platform for suppliers looking for the option of faster payments.

Government authorities/agencies

The group manages its tax affairs responsibly and proactively to comply with tax legislation. The group's policy is to engage with HMRC constructively, honestly and in a timely and professional manner, and the group seeks to resolve disputed matters through active and transparent engagement. Engagement with HMRC is led by the group's tax team of qualified tax professionals. The group finance director provides regular updates to the board on tax matters, and the board annually approve a Tax Strategy paper which is published on the group's website.

Audit committee

The River Island Holdings Limited board of directors has decided not to establish a separate sub-committee to fulfil the responsibilities of an audit committee as the board is responsible for oversight of the financial reporting process, selection of the independent auditor, and the receipt of audit results both internal and external.

Approval

This strategic report was approved on behalf of the board.

-Signed by:

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Mr W. Cohen

for and on behalf of Cavendish Square Secretariat

Seymour Mews House, 26-37 Seymour Mews, London, W1H 6BN

Company Secretary

25 September 2024

Company registered number: 09337472