SuperGroup Plc

annual report 2012

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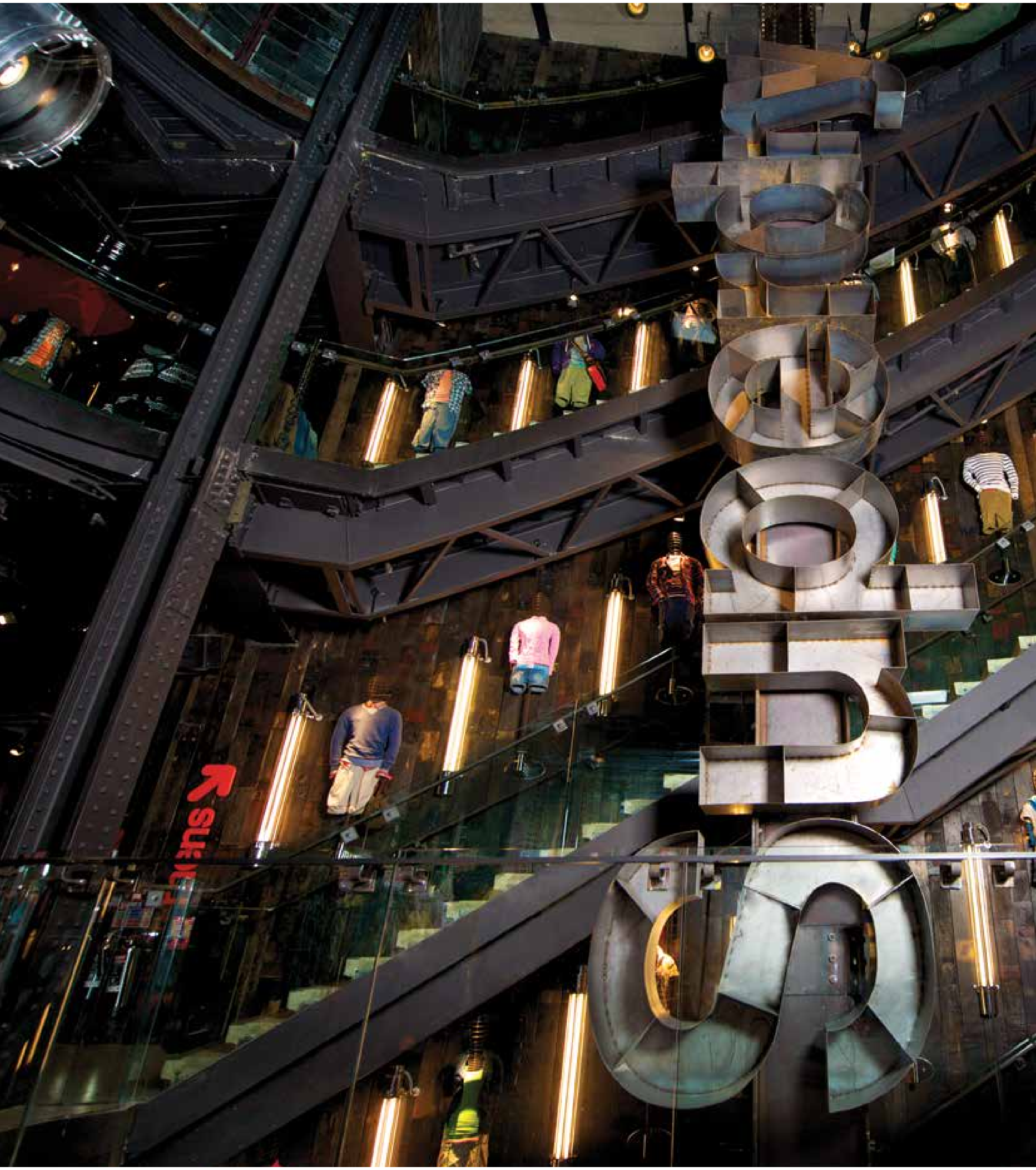


Introduction

Contents

Highlights	01
At a Glance	02
Chairman's Statement	03

Contents

Introduction

1	Highlights	01
2	At a Glance	02
3	Chairman's Statement	03

Performance

4	Business Review	07 - 16
5	Financial Review	18 - 21
6	Risk	22 - 25
7	Operating Responsibly	26 - 27

Governance

8	Board of Directors	30 - 31
9	Directors' Report	32 - 35
10	Corporate Governance Statement	38 - 42
11	Audit Committee Report	43 - 45
12	Directors' Remuneration Report	48 - 55
13	Statement of Directors' Responsibilities	57

Financial Statements

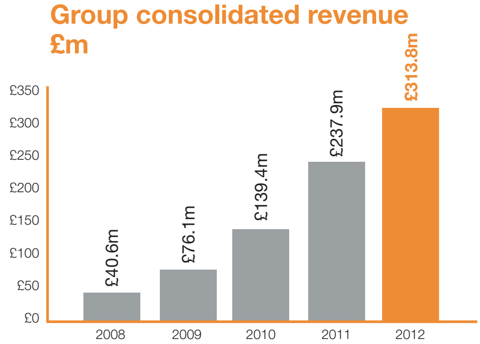
14	Independent Auditors' Report	60 - 61
15	Group and Company Financial Statements	62 - 67
16	Notes to the Group and Company Financial Statements	68 - 106
17	Shareholder Information	107

1 Highlights

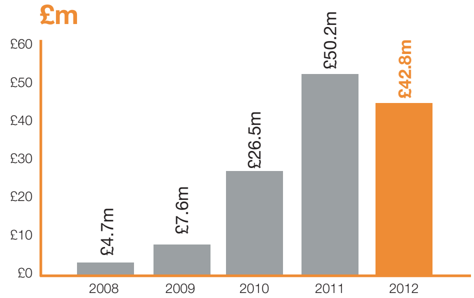
Financial highlights

		2012	2011	Growth
Group revenue	£m	313.8	237.9	+31.9%
Group gross profit margin	%	57.0	55.8	+120bps
Profit before tax ("PBT")	£m	51.4	47.3	+8.7%
Underlying[1] PBT	£m	42.8	50.2	-14.7%
Basic earnings per share ("EPS")	pence	45.0	37.9	+18.7%
Underlying[1] basic EPS	pence	38.1	45.2	-15.7%
Year end net cash	£m	30.9	32.2	-4.0%

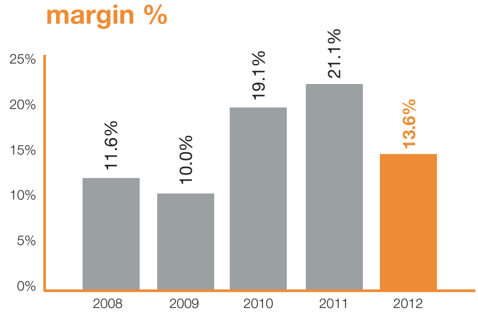
Group consolidated revenue £m



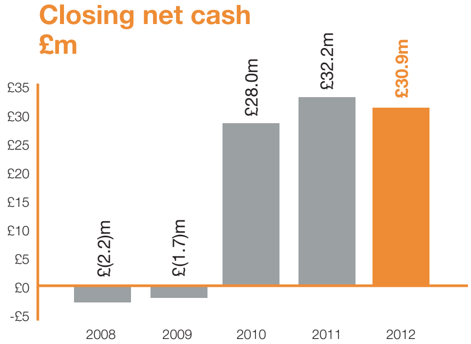
Underlying[1] Group PBT £m



Underlying[1] Group operating margin %



Closing net cash £m



Operational highlights

- 31.9% growth in revenue despite operational challenges.
- 26 new standalone stores opened in the UK and Europe, including one relocation, taking the total to 103 (2011: 78).
- UK like-for-like sales (including internet) +2% on the year.
- International expansion: 48 franchised and licensed stores opened during the year, with two closures, taking the total to 101 stores (2011: 55).
- Internet continues to grow strongly and now contributes 10% of Group revenue (2011: 8%).
- Management team strengthened by key, high calibre appointments.

Notes:

1. Underlying results have been adjusted to reflect the impact of the gain/loss recognised on fair valuing deferred consideration, financial derivatives and exceptional items. In addition, the prior periods have been adjusted to reflect the impact of the revaluation of inventory within SuperGroup Europe BVBA at acquisition (IFRS 3 revised requirement) and the impact of including the prior year's freight and duty costs into inventory. All references to underlying in this statement are after making these adjustments. Retail and Wholesale are presented before Group overheads and royalties unless stated otherwise.

2 At a Glance

SuperGroup Plc is the owner of the Superdry brand and operates in the branded fashion clothing sector.

Superdry targets the young fashion market with affordable, premium quality clothing and accessories for both men and women in the 15 to 25 age bracket, although the brand has become increasingly appealing to a much broader group.

Superdry focuses on high quality fashionable products fusing vintage Americana and Japanese inspired graphics with a British style. Superdry clothes are characterised by:

- Super soft hand feel cotton with authentic vintage washes;
- Premium fabric with vintage detailing;
- World leading hand-drawn graphics; and
- Tailored fits with diverse styling.

The Group operates from 103 owned stores in the UK and Europe and through 101 franchised and licensed stores around the world.

Superdry's presence around the world:

Europe:		Asia/Middle East:	Rest of World:
UK	Austria	Indonesia	Columbia
Republic of Ireland	Finland	Hong Kong	Venezuala
Belgium	Denmark	Taiwan	Panama
Netherlands	Spain	South Korea	South Africa
Luxembourg	Greece	Kuwait	USA
Germany	Turkey	United Arab Emirates	Australia
Italy	Switzerland	Malaysia	Canada
France			

The Group's business model is to establish a presence in a wide range of geographical territories through a combination of owned stores, franchises, concessions, licences and the internet. This model is flexed, based upon the profiles and risks of each territory and, over time, depending on the success of the Superdry brand, a blend of these channels to market could be adopted.

In the UK, the Group's strategy is to increase its retail presence through owned stores and the internet to achieve greater control over the merchandising and pricing model of the Superdry brand.

In Europe the acquisition of SuperGroup Europe BVBA has provided a platform through an existing portfolio of stores and an experienced local management team that will develop both retail and wholesale revenues.

The Group's strategy is to:

- Expand the UK and European standalone Retail estate;
- Roll-out an e-commerce platform that increases its penetration of Group revenue;
- Drive international franchised store expansion across the world; and
- Develop an infrastructure that delivers operational efficiency and a platform for growth.

Through this strategy, the Group aims to grow revenues and profits.

3 Chairman's Statement

The last year has clearly been a difficult one for SuperGroup. We have delivered a strong performance in Group revenues, but profits have fallen considerably short of expectations. Whilst the tough and volatile economic environment has not helped, our problems have been largely self-inflicted. The underlying issue is that our management and operational capability has fallen behind the needs of a rapidly growing business. Since becoming a public company in March 2010 we have invested substantially in the infrastructure of the business. However, revenues have grown by 125% over the last 3 years, the UK Retail store base has grown from 42 to 79 and the number of international franchised and licensed stores increased from 29 to 101. Clearly, keeping pace with this level of growth would always have been a challenge, but we should have done better.

Communications with the City have proved to be challenging and have highlighted the need for a thorough review of the Group's forecasting and review processes. Shaun Wills was appointed as Chief Financial Officer at a time when the Group came under scrutiny following a number of forecasting issues that came to light towards the end of the financial year. Since his appointment he has commenced a thorough review of the finance department looking at skills, competencies and systems. Shaun's experience in leading finance teams in the fashion retail sector is key to developing a professional team that will operate at a level that would be expected.

Importantly though, the fundamentals of our business remain intact. Our products are in demand and all the indications from in-depth research we have carried out on the Superdry brand are that it is well-defined, clearly understood by customers and in good health. Julian Dunkerton and James Holder are focusing their talents on developing our ranges, whilst Theo Karpathios continues to build our international presence.

As a board we are committed to growing SuperGroup in a controlled and measured way. Through the key management appointments made towards the end of the year, particularly Susanne Given as Chief Operating Officer and Shaun Wills as Chief Financial Officer, and a continued programme of investment in systems, we are taking the steps required to build the operational capability that will enable the Group to realise the full potential of our brand.

The changes to the executive team will also ensure that the board can be more effective in underpinning the exceptional entrepreneurial skills and passion in the business with a more structured and disciplined approach. We will continue to review the composition of the board as the Group develops and to ensure diversity and the appropriate mix of skills. The board also has a key role in ensuring that the internal forecasts and external guidance the company gives are more accurate in the future.

I would like to thank everyone who works for SuperGroup for their continued hard work and commitment during this difficult and, at times, stressful year. I am optimistic that the changes we are making will ensure that SuperGroup remains a fulfilling and enjoyable place to work as well as delivering financial performance which is in line with the expectations of our investors.

Peter Bamford
Chairman
11 July 2012


THE
SUPERDRY

Performance

Business Review	07 - 16
Financial Review	18 - 21
Risk	22 - 25
Operating Responsibly	26 - 27

4 Business Review

Introduction

SuperGroup operates in the branded fashion clothing sector selling Superdry branded premium quality clothing and accessories for both men and women at accessible price points. The Group operates an expanding international business and continues to grow market share in the UK through its new store opening programme and the internet.

In a challenging retail environment, the financial year to 29 April 2012 has been disappointing. Whilst each of the Group's divisions has delivered strong revenue growth, the business has faced a number of challenges which have seen underlying[1] profit before tax fall by 14.7% and the underlying[1] operating profit margin fall by 7.5 percentage points. The movement in operating margin reflects the impact of a number of issues, the most significant of which was the difficulty experienced during the autumn after implementing a new warehouse management system ("WMS"). Further contributing factors include the rise in cotton prices, higher head office costs as the business has strengthened its management, and the increased participation of "off-price" sales to ensure the business operates with cleaner inventory, having cleared slow moving and older stock.

In 2011, the board recognised the need to strengthen the management team, and over the last 12 months the Group has made a number of important appointments to the senior management team. The appointments of a new Chief Operating Officer and Chief Financial Officer are catalysts to improving the way the business operates and will afford Julian Dunkerton additional time to continue the evolution of the brand through the creation of new and exciting product ranges and the development of the brand identity.

The Group has enhanced its logistical and warehousing capability through the introduction of a WMS and new physical warehouse capacity. The next 12 to 18 months will see continued infrastructure investment with the introduction of new merchandising and point of sales systems.

During the year, the Group launched a comprehensive, continuous brand tracking survey which provides insight about how the consumer views the brand and how the brand compares to its competitors. This research has confirmed the underlying strength of Superdry and its continuing appeal to its target customers.

Superdry has a number of points of differentiation that support its success: quality products at affordable prices with an attractive British tailored style reflecting an obsessive attention to detail. Julian Dunkerton and James Holder both have many years of experience designing fashion clothing allowing them to develop product ranges that continue to move on and reflect the changing tastes of the consumer. As part of the new ranges for 2013, Superdry is introducing a more feminine women's wear assortment and, through collaboration with the acclaimed British tailor Timothy Everest, is introducing a men's range of tailored suits, jackets and overcoats.

4 Business Review

The Superdry brand remains strong and the Group is committed to investing in the business to provide a controlled and measured growth strategy.

Group strategy

Since the flotation on the London Stock Exchange in 2010, the Group's strategy has focused on five key areas:

1. Roll-out of standalone stores in the UK and Europe;
2. Developing the online offer;
3. Expanding the international business;
4. Extending the product range; and
5. Developing an infrastructure that delivers profitable growth and operational efficiency.

Despite the issues highlighted above, progress has been made within each strategic area, contributing to the Group's continuing sales growth.

1. Standalone stores

Since the Group's flotation it has almost doubled its standalone store presence in the UK and Republic of Ireland, having delivered the short-term strategy of adding 20 stores per year. In line with many other retailers, given current economic conditions, management will continually review its ongoing store opening programme. Going forward, with the acquisition of SuperGroup Europe BVBA in February 2011, investment opportunities outside the UK will also be given due consideration providing a further channel for growth.

The Group successfully opened the ground floor of its flagship store on London's Regent Street in time for Christmas 2011. Two further floors were opened during March 2012 and the final floor will open during July 2012. The store will ultimately trade from approximately 22,000 square feet of retail space and is an international showcase for the Superdry brand; a further floor above the store incorporates a showroom which showcases the brand in an appropriate environment for international clients and franchisees.

The growing success of the Superdry brand has led management to take the decision to rebrand its 20 Cult stores as Superdry. The rebranding process will be completed ahead of 2012 Christmas trading and the Group intends to exit third party stocks in an orderly manner through its off-price channels.

The Group's off-price channels include outlet stores, eBay and trade partners. These generate profitable sales, minimise dilution of the brand with customers on the high street, and enable the Group to accelerate new product into the business. The demand for outlet stores has grown in recent years as UK consumers and tourists look to purchase discounted branded products. The success of these outlet stores has contrasted with the trend seen by most retailers in traditional store locations. Since flotation, the Group has increased the number of outlet stores from three to nine.

As a result of these extra stores and an aged stock clearance exercise, 2012 saw increased levels of product being sold through off-price channels. Similar levels of sales are anticipated through eBay, outlets and trade partners in the current year as the Group looks to sell through redundant third party stock following the rebranding of the Cult stores and the clearance of prior season ranges.

2. Online offer

Internet sales are included within the Retail division's revenues and are complementary to the standalone stores. Through the "full-price" internet channel the Group sells to 101 territories. Six websites operate throughout the world, fulfilled from the UK, and the Group will continue to open international sites in the forthcoming year.

Traffic to the Superdry sites continues to grow with the number of visitors increasing by 39.3% to 20.2m visitors during the period (2011: 14.5m). Improving key performance indicators - conversion rates, average transaction values and service levels - have all improved with the continued success of the Group's e-commerce proposition. During the year, internet revenues grew to 10% of total Group sales (2011: 8%).

4 Business Review

3. International business

The Group's overseas operations have continued to demonstrate significant growth during the year. The acquisition of SuperGroup Europe BVBA has given the Group additional experience and knowledge of European markets. This has assisted with wholesale and franchise expansion in other European territories, helping achieve a net extra 46 franchised and licensed stores worldwide over the year, an increase of 83%. The Wholesale division will continue to launch new and expand existing franchises and concessions as well as consolidating its existing markets of Germany, Italy, Spain, Denmark and the Middle East.

Since the year end, the Group has entered into an exclusive long-term franchise agreement with Reliance Brands Limited - a part of the Reliance Industries Group, the largest private sector company in India - to launch the Superdry brand in that country.

4. Product range

Almost half of retail sales are generated by t-shirts, casual tops and jackets. Superdry will, therefore, continue to extend its offer into denim, footwear and accessories, categories in which the Group believes there are significant opportunities.

Women's wear represents 34.5% of total retail sales which is broadly level with last year. The forthcoming spring/summer 2013 ranges have more distinctive feminine handwriting and stylistically represent a move forward of the women's ranges.

Accessory ranges continue to be well accepted by the brand conscious customer. Sales of accessories such as iPad/iPhone covers, headphones, and bags have seen growth of almost 300% during the year. Further ranges are in the pipeline and include a cosmetics range to be launched in time for Christmas 2012.

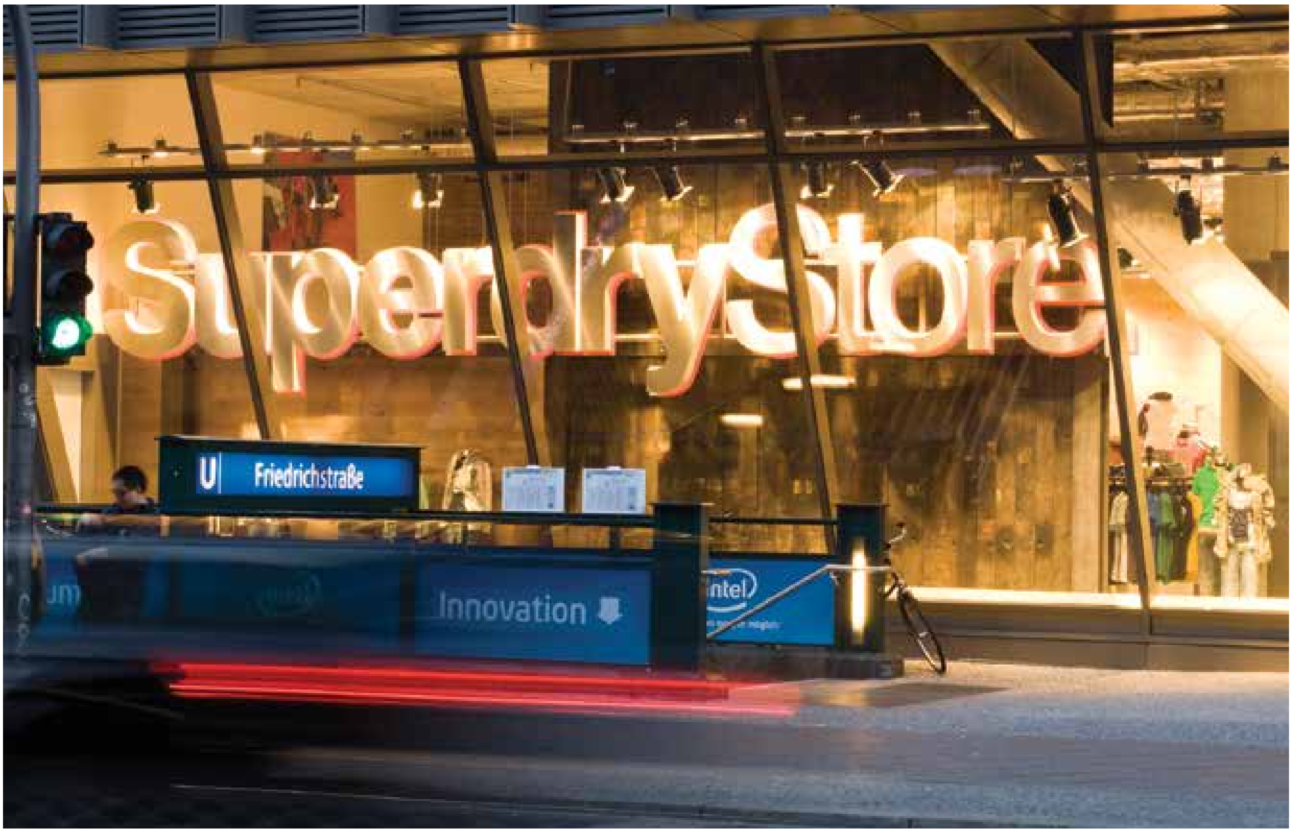
The Group has also sought to license the Superdry brand into new product areas. Examples include the successful launch of the Superdry fragrance and the Superdry optical range. Further licensed products are being considered including a new range of Superdry watches.

5. Infrastructure

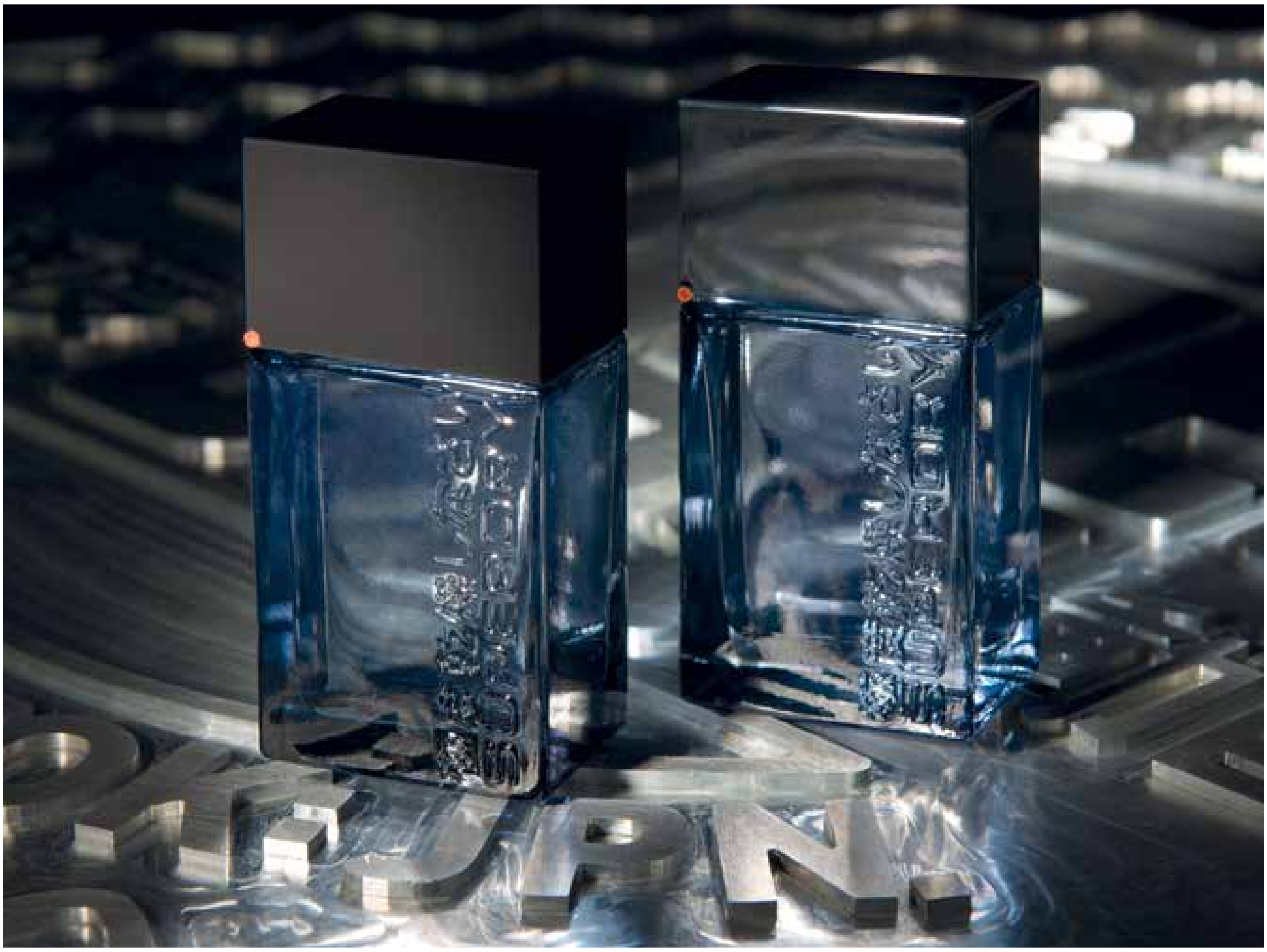
Investment in infrastructure is pivotal in underpinning the next phase of the Group's development. The dual objectives of supporting business growth and delivering operational efficiencies will be achieved through improvements in information technology and thorough reviews of current business processes. There will be continued strengthening of the management team to ensure both are delivered optimally.

Key personnel

The business has been further strengthened during the year with the recruitment of experienced senior managers, including, towards the end of the financial year, two board appointments: Susanne Given as Chief Operating Officer, and Shaun Wills as Chief Financial Officer.



4 Business Review



Shaun joined the Group on 23 April 2012 and one of his earliest priorities has been to review and strengthen the controls around the internal forecasting process to prevent the recurrence of the issues that contributed to the revised profit guidance communicated on 20 April 2012.

Susanne joined the Group and was appointed to the board on 10 April 2012. Susanne's primary focus will be to deliver continued growth and operational improvements and efficiencies in the UK Retail business whilst also overseeing central business functions including marketing, logistics, sourcing, IT and property.

A Head of Retail Operations also joined the Group during June 2012 and other key appointments during the year include a Head of Logistics and a Head of Sourcing. These appointments reflect the Group's plans to develop and professionalise its retail businesses and supply chain infrastructure. A Head of International Business Development was also appointed, reflecting increased focus on the Group's international growth opportunities. There will be an on-going focus on personnel during 2013.

Systems enhancement

A new WMS, designed to enable greater efficiency and provide a platform for future growth, was implemented in August 2011.

Issues relating to the implementation and integration of the new system led to stores not being correctly replenished, the result of which was incorrect stock profiles in the majority of the Group's UK retail stores and incomplete size ranges of key lines. The financial impact of the disruption was estimated at £9m, driven by a combination of lost sales revenue and additional distribution costs, including the use of temporary warehouse facilities.

The underlying systems and operational issues were resolved by the end of November 2011 ahead of the Group's peak Christmas trading and, with the UK's Retail division delivering 9% like-for-like sales during December 2011, it was apparent that replenishment was then operating effectively.

Other enhancements to the Group's systems capability are planned and include new merchandising and point of sale systems during the financial year ending 28 April 2013. A higher degree of rigour and project management resource will ensure lessons learnt from the WMS implementation are taken fully into consideration.

4 Business Review

Retail locations in the UK and Republic of Ireland

Standalone stores

- Superdry
- Cult

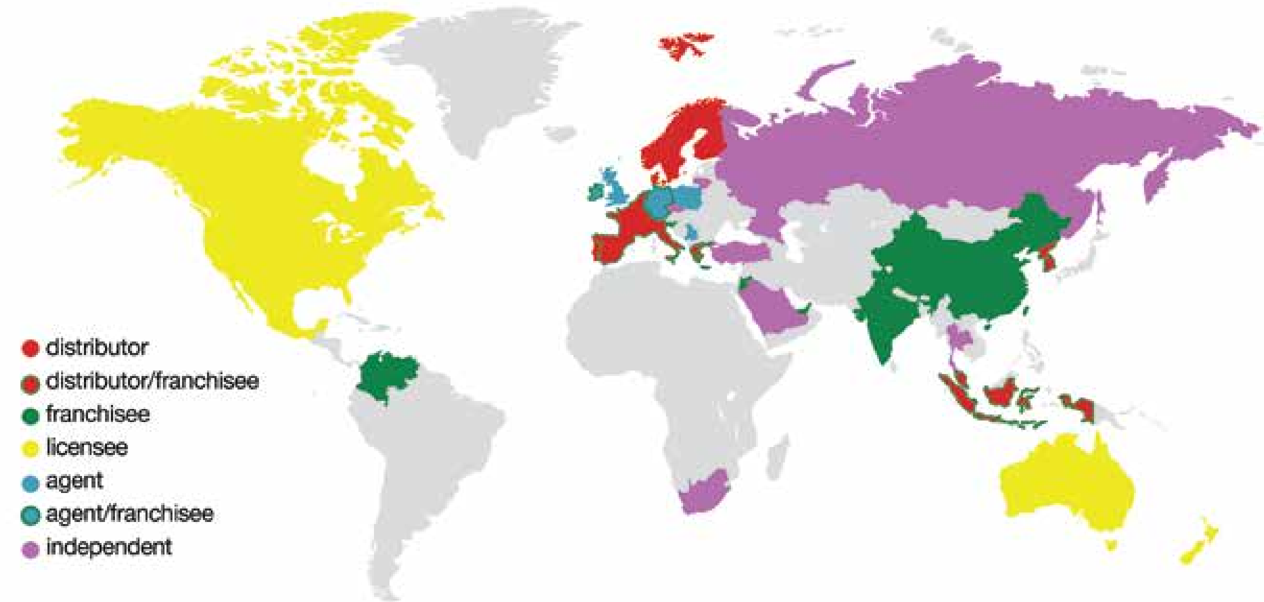
Concessions

- Mens
- Womens

Store format	2008	2009	2010	2011	2012
Standalone stores	18	25	42	60	79
Concessions	30	51	56	75	71
Standalone – sales sq. ft.	88,939	126,704	211,680	306,571	430,845
Average sq. ft.	4,941	5,068	5,040	5,110	5,454

Wholesale worldwide partners

54 countries sold to in 2012 (2011: 40)



International sales represent 72% of Wholesale revenue (2011: 60%)

4 Business Review

Retail

The Retail division comprises Cult and Superdry branded retail outlets in the UK and Republic of Ireland, as well as concessions and the internet.

The Retail division delivered external revenue of £191.0m, up 29.6% (2011: £147.4m), representing 61% of total Group revenue (2011: 62%). Underlying[1] operating profit in the year was £31.7m (2011: £37.8m). Underlying[1] operating profit margin was 16.6% (2011: 25.6%). The decline in underlying[1] profitability of nine percentage points was driven by a number of factors and principally the impact of the WMS implementation which accounted for just under half of this movement. Other factors making up the remaining half include the impact of cotton prices, changes in the off-price sales mix, and cost increases across distribution and internet marketing. Further information on the Retail segment is included in note 16.4.

Business disruption arising through operational issues associated with the WMS launched in September 2011 adversely impacted Group profit by £9m. The gross profit impact through lost sales was around £6m and there were additional distribution costs, including the use of temporary warehousing of £3m. The system and operational issues were resolved ahead of the Christmas 2011 peak trading period.

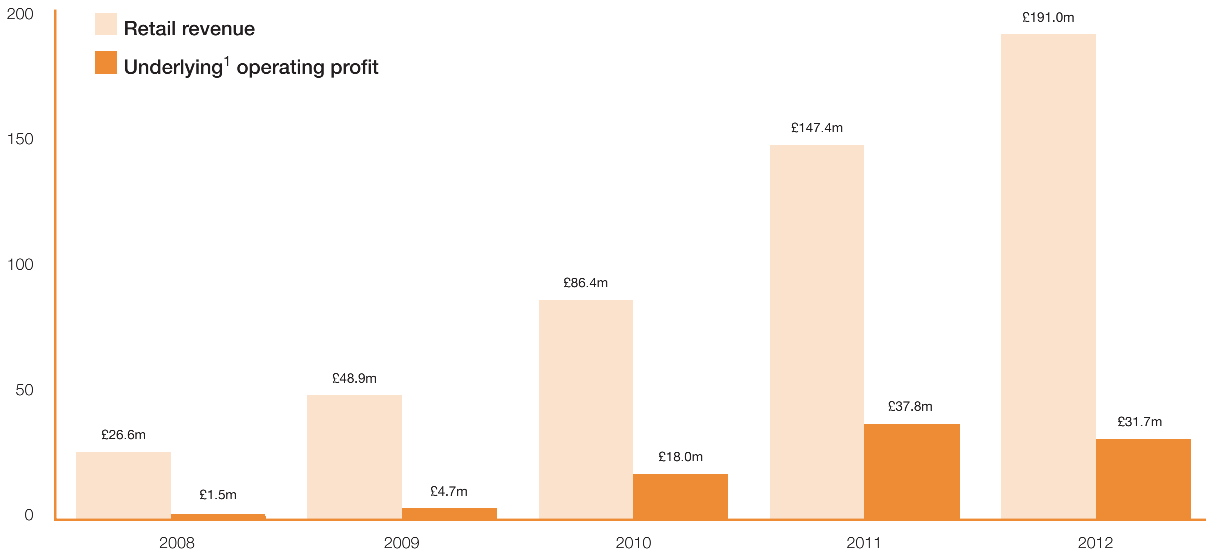
The increased level of sales during the year through outlet stores and eBay provided the Group with the opportunity to manage stock levels effectively and in a profitable manner. In addition, outlets continue to grow in popularity with consumers. During the year, as planned, the number of outlet stores grew from five to nine stores.

In total 20 new stores were opened during the year, of which one was a relocation, adding 124,000 square feet of selling space, in line with the Group's objective. The total number of stores increased by 19 to 79 and at the year end retail traded from 431,000 square feet (2011: 307,000 square feet). The Group received £7.7m (2011: £9.7m) in landlord cash contributions which were used to finance the associated store fit-out costs.

4 Business Review

	2012 £m	2011 £m	Growth %
External revenues	191.0	147.4	+29.6%
Underlying[1] operating profit	**31.7**	**37.8**	**-16.1%**
Underlying[1] operating profit margin (%)	16.6%	25.6%	-9.0 ppts
Financial derivatives	(0.1)	(0.5)	
Freight & duty into inventory	–	1.4	
Retail operating profit (exc. Group overheads & royalties)	**31.6**	**38.7**	**-18.3%**
Underlying[1] Group overheads	(14.3)	(9.1)	+57.1%
Fair value consideration (Group impact)	8.3	(0.4)	
Finance income	0.1	0.1	
Retail profit before tax before royalties	**25.7**	**29.3**	**-12.3%**

Retail division — revenue and profit growth £m



Introduction
Performance
Governance
Financial Statements

4 Business Review

Wholesale

The Wholesale division comprises all international operations, including wholesale, license and franchise arrangements, SuperGroup Europe BVBA, but excluding the internet.

The Wholesale division delivered external revenue of £122.8m, up 35.7% (2011: £90.5m), representing 39% of total Group revenue (2011: 38%). Underlying[1] operating profit in the year was £25.3m (2011: £21.4m). Underlying[1] operating profit margin was 20.6% (2011: 23.6%). The decline of three percentage points was split relatively evenly between cost price pressures, in common with the Retail division, and investments in head office teams. Further information on the Wholesale segment is included in note 16.4.

The revenue growth in Wholesale is primarily attributable to increasing demand for the Superdry brand in Europe, in part driven by continued investment in franchise stores by distribution partners. Globally, there are now 130 franchise and licensed stores and 50 concessions in 54 countries, of which 46 were opened in the year (30 in Europe and 16 in the rest of the world). During the year a franchise store in the Manchester Arndale centre was closed and replaced by an owned store. In addition, the Kildare franchise outlet store was acquired and now trades as an owned store.

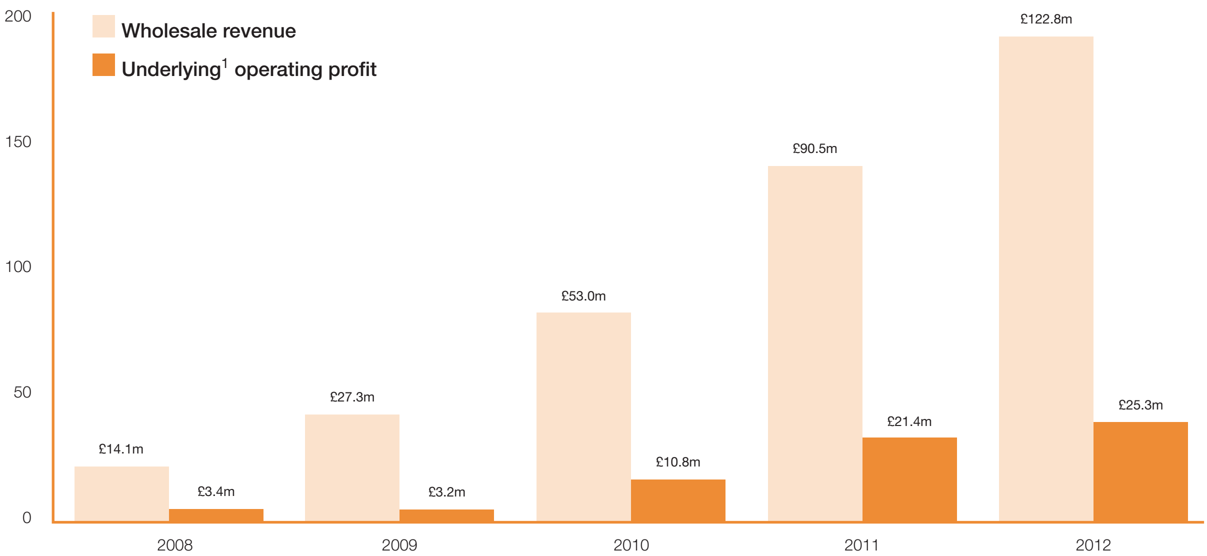
SuperGroup Europe BVBA, which includes both Retail and Wholesale activities, has completed its first full year of trading as part of the Group. Sales in the first full year were £44.0m (2011: £11.7m for 12 weeks). During the year, SuperGroup Europe BVBA added six owned stores (four in Belgium and one each in France and the Netherlands) and 11 franchise stores (eight in France, two in Belgium and one in Luxembourg).

In the rest of the world, franchises have opened in Finland, Switzerland, Hong Kong, Taiwan, Kuwait, Columbia and South Africa. Four concessions have opened in Canada and four licensed stores opened in the United States taking the total to 10.

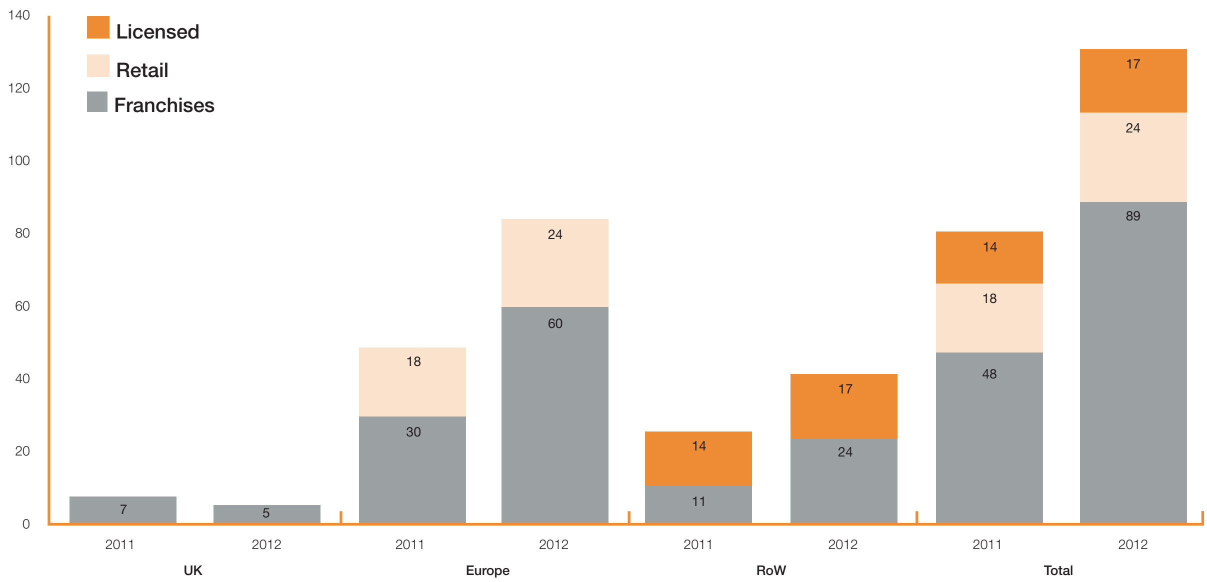
4 Business Review

	2012 £m	2011 £m	Growth %
External revenues	122.8	90.5	+35.7%
Underlying[1] operating profit	**25.3**	**21.4**	**+18.2%**
Underlying[1] operating profit margin (%)	20.6%	23.6%	-3.0 ppts
Financial derivatives	0.4	(1.0)	
Revaluation of SGE stock (IFRS 3)	–	(1.9)	
Including freight & duty into inventory	–	0.2	
Exceptional items	–	(0.7)	
Wholesale operating profit and profit before tax before royalties	**25.7**	**18.0**	**+42.8%**

Wholesale division — revenue and profit growth £m



Wholesale division — store numbers



4 Business Review

Outlook and current trading

Whilst having full confidence in recent product developments and the operational improvements discussed previously, management does not foresee any material improvement in the UK retail market over the next 12 months and consequently expects conditions to remain difficult and extremely competitive.

It has been well publicised that the European market is more volatile than the UK presently but SuperGroup's relatively small market share in each territory still affords opportunities for growth in these countries.

During the financial year to 28 April 2013, the Group has targeted to add approximately 70,000 – 90,000 square feet of selling space through the opening of standalone stores across the UK and Europe. Additionally, a minimum of 30 franchise and license stores will be added to the portfolio globally.

The first 10 weeks of trading have been affected by the unseasonal weather conditions, with June being announced recently as officially the wettest on record. Despite that, results have been broadly in line with management expectations.

Julian Dunkerton
Chief Executive Officer
11 July 2012

5 Financial Review

	2012 £m	2011 £m	Growth %
Revenue:			
Retail	191.0	147.4	+29.6%
Wholesale	122.8	90.5	+35.7%
Group revenue	**313.8**	**237.9**	**+31.9%**
Underlying[1] operating profit:			
Retail	31.7	37.8	-16.1%
Wholesale	25.3	21.4	+18.2%
Group overheads[2]	(14.3)	(9.1)	+57.1%
Underlying[1] Group operating profit	**42.7**	**50.1**	**-14.8%**
Finance Income	0.1	0.1	
Underlying[1] Group profit before tax	**42.8**	**50.2**	**-14.7%**
Non-underlying adjustments:			
Fair value movement on deferred share consideration	8.3	(0.4)	
Other	0.3	(1.8)	
Group profit before tax and exceptional items	**51.4**	**48.0**	**+7.1%**
Exceptional items	–	(0.7)	
Group profit before tax	**51.4**	**47.3**	**+8.7%**
Underlying[1] operating profit margin:			
Retail	16.6%	25.6%	-9.0 ppts
Wholesale	20.6%	23.6%	-3.0 ppts
Group underlying[1] operating profit margin	**13.6%**	**21.1%**	**-7.5 ppts**

Notes

1. Underlying results have been adjusted to reflect the impact of the gain/loss recognised on fair valuing deferred consideration, financial derivatives and exceptional items. In addition, the prior periods have been adjusted to reflect the impact of the revaluation of inventory within SuperGroup Europe BVBA at acquisition (IFRS 3 revised requirement) and the impact of including the prior year's freight and duty costs into inventory. All references to underlying in this statement are after making these adjustments. Retail and Wholesale are presented before Group overheads and royalties unless stated otherwise.
2. Group overheads have been separated here as the directors believe it provides useful analysis for the reader. Within the segmental analysis they are presented in the Retail division in total.

Adjustments to reported results

A number of adjusting items have been identified in establishing the underlying performance of the Group as they were either non-recurring items or accounting adjustments for derivatives and deferred consideration. These have been separated into non-underlying items and exceptional operating costs:

	2012 £m	2011 £m	Growth %
Revenue	313.8	237.9	+31.9%
Operating profit	**51.3**	**47.2**	**+8.7%**
Non-underlying items:			
(a) Impact of IFRS 3 (revised) on inventory acquired at date of acquisition	–	1.9	
(b) Impact of new accounting policy relating to prior periods	–	(1.6)	
(c) (Gain)/loss recognised on fair value of deferred consideration	(8.3)	0.4	
(d) (Gain)/loss on financial derivatives	(0.3)	1.5	
Total non-underlying items	**(8.6)**	**2.2**	
Exceptional operating costs	–	0.7	
Underlying[1] operating profit	**42.7**	**50.1**	**-14.8%**
Finance income	0.1	0.1	
Underlying[1] profit before tax	**42.8**	**50.2**	**-14.7%**

Notes: Non-underlying items

(a) IFRS 3 (revised) requires inventory purchased with the acquisition of SuperGroup Europe BVBA in February 2011 to be fair valued to selling prices less costs to sell and hence no profit was recognised on this inventory when it was sold post acquisition. Had this adjustment not been made £1.9m of additional profits would have been recognised.
(b) Inclusion of prior years' inbound freight and duty costs into inventory previously expensed in the Group statement of comprehensive income.
(c) Statement of comprehensive income adjustment to reflect the fair value movement in share price for the deferred contingent consideration related to the acquisition of SuperGroup Europe BVBA.
(d) The revaluation of forward foreign exchange contracts to fair value by using the year end spot rate.

5 Financial Review

Group operating profit

Underlying[1] operating profit of £42.7m (2011: £50.1m) is down 14.8% compared to an overall growth in revenue of 31.9%. Consequently the underlying[1] operating profit margin at 13.6% (2011: 21.1%) fell by 7.5 percentage points. The details of each division's operating profit have been discussed in the business review.

The Group's gross profit margin now stands at 57.0% (2011: 55.8%), an increase of 120 bps on the prior year. The predominant driver of this is the full year impact of the acquisition of SuperGroup Europe BVBA. This has brought European retail stores into the Group which operate at similar margins to the UK retail operation; previously the Group made a lower distributor margin on these stores. Additionally, the margin made by SuperGroup Europe BVBA on sales to third parties is now retained within the Group. Excluding this impact, underlying gross margins have declined, as disclosed in the business review, through a combination of cotton price increases and the mix of off-price sales.

The Group continues to increase its supplier base in order to manage risk and meet growth expectations. During the year, the number of suppliers increased to 72 (2011: 47) and this trend is expected to continue.

The changes in supply from geographical territories and an evolving supplier base enable competitive tension which helps drive margin improvements without compromising product quality or ethical operations.

Underlying Group central overheads were £14.3m (2011: £9.1m) an increase of £5.2m, which have been the key drivers in the cost base growth. Central payroll costs have risen by £2.3m reflecting the continued investment in people and the impact of the long term incentive plan.

Depreciation and amortisation within Group central overheads have increased by £1.7m, primarily representing the amortisation of intangible assets recognised on the acquisition of SuperGroup Europe BVBA and the IT spend associated with the implementation of the WMS.

Premises costs, which include centralised costs of the UK store portfolio (for example insurance, telephone and security), have increased by £1.0m reflecting the additional stores opened during the year and the full year equivalent of stores opened last year.

Exceptional operating costs

There were no exceptional operating costs during the year (2011: £0.7m). The prior year comparative represents acquisition costs of SuperGroup Europe BVBA in February 2011.

Taxation

In preparation for the listing of the business on the London Stock Exchange, a substantial reorganisation was undertaken with effect from 7 March 2010 and the Group's subsidiaries acquired net assets with a total fair value of £375m. Within this amount, £340m was identified as intangible assets and goodwill, of which the directors believe that at least £187m should be deductible against taxable profits over the useful economic lives of the respective assets. This gave rise to £52.4m of the exceptional deferred tax credit booked in 2010. Based on this the directors consider that the Group's future cash tax expense should be reduced by approximately £3.4m per annum using the corporation tax rate of 24%.

The Group's underlying corporation tax expense of £12.2m represents an effective tax rate of 28.5% for the period ended 29 April 2012. This is higher than the statutory rate of 25.8% primarily due to the depreciation of non-qualifying assets and non-allowable expenses.

The UK corporation tax rate reduction from 26% to 24% with effect from 1 April 2012 is substantively enacted at the balance sheet date so the deferred tax balances at 29 April 2012 have been re-measured resulting in an exceptional deferred tax charge of £3.2m.

Discussions with HMRC in respect of the tax deductible goodwill arising on the March 2010 reorganisation have significantly progressed. Written confirmation has been received from HMRC that they will not challenge the commercial nature of the transactions. The related deferred tax asset in respect of the goodwill therefore continues to be considered recoverable.

Earnings per share

Basic earnings per share is 45.0p (2011: 37.9p) based on a basic weighted average of 80,234,588 shares (2011: 79,337,981 shares). The increase in the basic weighted average number of shares is due to the increase of 1,234,568 shares issued primarily for the acquisition of SuperGroup Europe BVBA in February 2011.

Diluted earnings per share is 44.7p (2011: 37.9p) based on a diluted weighted average of 80,792,443 (2011: 79,407,993) shares and underlying basic earnings per share is 38.1p (2011: 45.2p).

Cash flow and balance sheet

The Group has net cash balances of £30.9m as at the end of the year, down £1.3m (2011: net cash £32.2m). Cash in-flow from operations was £56.5m (2011: £25.4m) which, after increases in capital investment, corporation tax and a decrease in landlord contributions, has resulted in a net decrease in cash of £1.3m (2011: net increase £4.2m). The business remains highly cash generative and it is anticipated that the Group will continue to see a strong balance sheet that will enable investment in new stores and working capital to support future growth.

Net finance income of £0.1m (2011: £0.1m) arose from the cash reserves held throughout the year.

The net book value of property, plant and equipment is £63.8m, up 65% (2011: £38.6m) primarily due to the opening of 26 stores (including one relocation). In the year, £36.6m of capital additions were made on property, plant and equipment, of which £23.5m relates to leasehold improvements across the Group. The balance is made up of fixtures and fittings £8.3m and IT £4.8m.

5 Financial Review

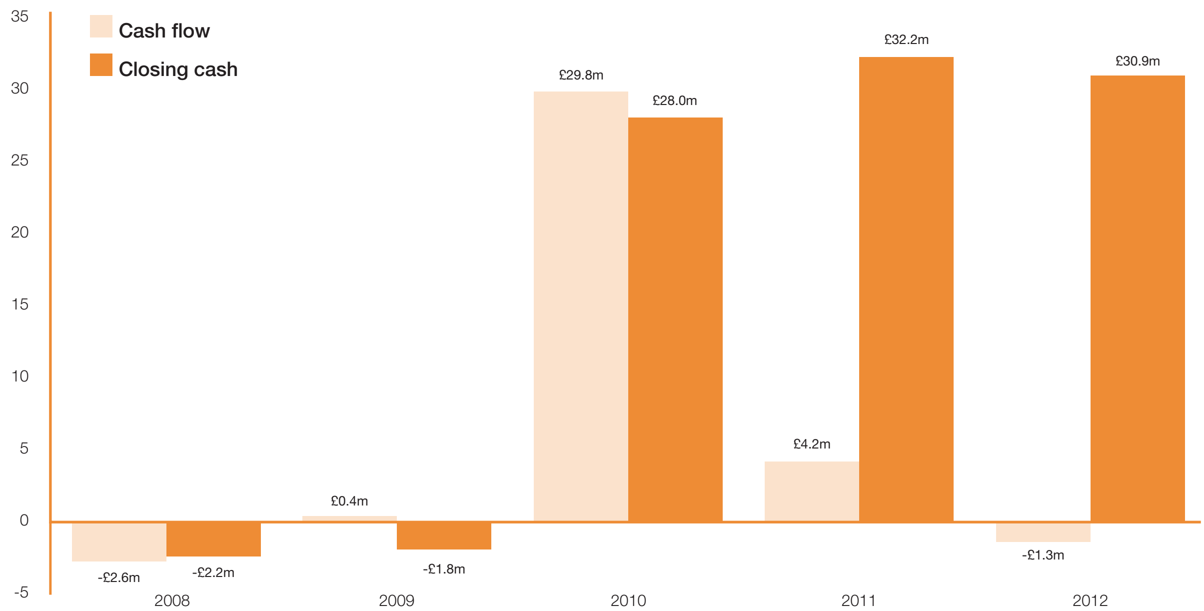
Landlords' contributions of £7.7m were received during the year (2011: £9.7m). This was partially due to a switch from contributions to rent free periods and partially due to the continued opening of stores in prime locations where landlords' incentives are less prevalent. The contributions will be amortised over the lives of the respective leases.

Investment in inventories, trade receivables and trade payables decreased by 14.4% during the year to £42.8m (2011: £50.0m) and as a proportion of the Group's revenue was 13.6% (2011: 21.0%).

Group inventory increased to £55.5m (2011: £52.3m), up 6.1%. The increase in stock reflects the additional working capital investment in new stores opened during the year, although the growth rate is significantly below that of sales reflecting the outcome of clearing aged stock discussed previously.

Trade receivables (excluding prepayments) increased by 5.9% to £23.5m (2011: £22.2m). Trade receivables were 7.5% of Group revenue, down 1.8% points (2011: 9.3%). Trade payables were £36.2m, up 47.8% (2011: £24.5m) and represented 11.5% of Group revenue (2011: 10.3%).

Group cash flow track record £m



		2012 £m	2011 £m	Growth %
Current assets				
Inventories		55.5	52.3	+6.1%
Trade and other receivables	Trade receivables	23.5	22.2	+5.9%
	Other receivables/derivatives	19.1	13.5	+41.5%
Total trade and other receivables		**42.6**	**35.7**	**+19.3%**
Cash and cash equivalents		30.9	32.2	-4.0%
Total current assets		**129.0**	**120.2**	**+7.3%**
Current liabilities	Trade payables	36.2	24.5	+47.8%
	Other payables/derivatives/ borrowings	17.0	18.2	-6.6%
Total current liabilities		**53.2**	**42.7**	**+24.6%**
Net current assets		**75.8**	**77.5**	**-2.2%**
Working capital	Inventories	55.5	52.3	+6.1%
	Trade receivables	23.5	22.2	+5.9%
	Trade payables	(36.2)	(24.5)	+47.8%
Total working capital		**42.8**	**50.0**	**-14.4%**

5 Financial Review

Dividends

The board of directors remains of the view that the business is best served by retaining current cash reserves to support growth. Consequently a recommendation will be made at the Annual General Meeting ("AGM") that no dividend is payable in relation to 2012 (2011: £nil).

The board will keep the dividend policy under review by considering the Group's profitability, underlying growth, availability of cash and distributable reserves and the investment opportunities open to the business.

Key performance indicators

KPI	Units	2012	2011	+/-
Underlying[1] profit before tax	£m	42.8	50.2	-7.4
Underlying[1] operating profit margin	%	13.6	21.1	-7.5
Total Retail selling space	'000 sq. ft.	470	332	+138
Total Retail store numbers	No.	103	78	+25
Internet revenue as % of Group revenue	%	10	8	+2
Wholesale overseas revenue mix	%	72	60	+12
International franchised & licensed stores	No.	101	55	+46
Number of Wholesale territories	No.	54	40	+14
Number of product suppliers	No.	72	47	+25

- Underlying[1] profit before tax is the net of external revenue less cost of sales, less selling, general and administrative expenses, plus other gains and losses (net), plus finance income, but after adjusting for non-underlying and exceptional items (note 15.1);
- Underlying[1] operating profit margin is the ratio of operating profit, before adjusting for non-underlying and exceptional items, to external revenue;
- Retail selling space is defined as the total trading floor area of all the stores excluding stockroom, administration and other non-trading areas at the year end;
- Retail store numbers include all standalone stores open and trading at the year end;
- Internet revenue as a percentage of Group revenue is the ratio of internet revenue to external revenue;
- Wholesale overseas revenue mix is the proportion of Wholesale revenue sourced outside the UK, excluding royalty receipts;
- International franchise stores include all franchise and licensed stores open and trading at the year end;
- Number of Wholesale territories are the countries in which the Group's products are sold primarily by distribution, franchise or agency arrangements to Wholesale customers; and
- Number of product suppliers is the number of suppliers that have supplied items for resale during the year.

Going concern

The directors report that, having reviewed the current performance forecasts, they have a reasonable expectation that the company and the Group have adequate resources to continue their operations for the foreseeable future. For this reason they have continued to adopt the "going concern" basis in preparing the financial information.

Board approval

On 11 July 2012 the board of directors of SuperGroup Plc approved this statement.

Cautionary statement

This report contains certain forward-looking statements with respect to the financial condition, results of the operations and businesses of SuperGroup Plc. These statements and forecasts involve risk, uncertainty and assumptions because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. These forward-looking statements are relevant on the date of publication of this statement. Nothing in this statement should be construed as a profit forecast. Except as required by law, SuperGroup Plc has no obligation to update the forward-looking statements or to correct any inaccuracies therein.

Shaun Wills
Chief Financial Officer
11 July 2012

6 Risk

In accordance with the UK Corporate Governance Code (the "Code"), the board understands the need for a robust system of internal control and risk management. Following a review of risks to the Group, a further assessment of the key risks and uncertainties facing the Group has been undertaken. This is reviewed on a regular basis at executive committee and board level.

The directors consider the following matters to be the principal risks and uncertainties to the Group. These may not be exhaustive and there might be additional unknown risks that could have an adverse effect on the Group:

External

Changing fashion trends

Risk description	Potential impact	Mitigation
The Group may fail to respond in a timely fashion to changes in consumer preferences or, additionally, fail to anticipate increased consumer demand for its products.	The Group may experience inventory shortages or excesses that could result in lost revenue or cash and customer goodwill.	The Group will continue to design new and innovative products, and will ensure a high level of market awareness and understanding of fashion and consumer trends by carrying out market research, brand tracking, visits to trade fairs and product research. The Group is constantly refreshing and updating its product range and this assists in differentiating the product to meet evolving consumer needs.

The Group bears a risk of unfavourable changes in currency exchanges despite its foreign exchange contracts

Risk description	Potential impact	Mitigation
The Group pays for a large proportion of its goods and receives a proportion of its revenues in foreign currency and is potentially vulnerable to adverse movements in exchange rates. In particular, euro exchange rates have a potential for greater volatility as a result of continuing economic and financial instability within the EU.	The Group's operating results become unpredictable due to changes in exchange rates that are outside our control.	The Group has a documented foreign exchange policy and maintains constant management oversight, including monthly board review, of foreign exchange exposure and opportunities. The Group's policy is to hedge these risks by using forward foreign exchange contracts.

6 Risk

EU economic and financial conditions

Risk description	Potential impact	Mitigation
The Group expects that the current economic conditions, made more uncertain through the ongoing debt crisis in the EU, will mean trading conditions remain extremely challenging.	The Group's results can be affected by the impact of economic conditions on consumer confidence and buying habits.	The Group will continue to monitor and assess the status of the EU economic and financial environment and potential impacts. The Group will implement its strategies to develop and strengthen the Superdry brand globally and therefore reduce dependency on specific markets.

Internal

The significant growth of the Group puts pressure on key resources

Risk description	Potential impact	Mitigation
Growth will depend on the ability of the Group to expand operations and to develop its supply base, Group infrastructure and people.	Failure to manage the pace of change effectively could impact on the Group's financial results.	The Group's strategic objectives are reviewed continually for their impact on the infrastructure. The process of investment in infrastructure is a high priority and recent senior appointments will reduce execution risk.

Business systems changes are not implemented effectively

Risk description	Potential impact	Mitigation
Growth will depend on the ability of the Group to manage and effect, significant business change programmes.	Failure to manage necessary business change could impact on the effectiveness and efficiency of business operations and on the Group's financial results.	The Group is focused on the development of robust planning, programme and project management capabilities and in ensuring it has appropriate resource capacity, skills and effective third party relationships to manage and implement change effectively.

The Group may not be able to effectively control and monitor its suppliers to comply with labour, employment and other laws

Risk description	Potential impact	Mitigation
While the Group requires its suppliers to operate in compliance with local and international legislation and with an internationally accepted code of practice, it may not be able to control these manufacturers and so cannot ensure absolute compliance.	There is potential for the Group to suffer negative customer and stakeholder sentiment with associated impact on customer and investor appeal.	The Group actively engages and expects its supply base to operate in accordance with its ethical trading code of practice. The Group assesses the status of operating practices through a schedule of focused audits and company visits, where necessary, working with suppliers on improvement plans.

6 Risk

Business interruption at the Group's distribution centres

Risk description	Potential impact	Mitigation
As a major retail and wholesale business, the Group relies on the effective operation of its distribution centres which could be disrupted through a major incident such as a fire.	There is potential for the Group to suffer loss or damage to stock holding and disruption to its store and customer replenishment capability.	The Group recognises the reliance it has on its distribution centres and has invested in a number of major improvements to protect these facilities. During 2012 the Group placed its retail distribution requirements under a managed service agreement with a leading dedicated logistics provider. Where the Group utilises third party storage and logistics services, which will provide some additional contingency, it ensures that standards are appropriate and regularly monitored.

Loss of a key factory or supplier at a critical point in the design and manufacturing process that leaves no time to arrange alternative sources of supply

Risk description	Potential impact	Mitigation
As the business grows it is crucial that a robust, flexible and cost effective supply base meets the Group's needs for volume growth, quality, timeliness and accuracy. The Group may potentially lose, at a critical time, one or more of its suppliers, through a break down in the contractual relationship, the supplier being no longer commercially viable, or as the result of a major incident.	If the Group fails to manage its supply base effectively, or events occur that are outside of its control, product volume, delivery and quality issues may arise with associated reputational damage within its customer base.	The Group has a number of long-standing and closely monitored relationships with suppliers with whom it continually seeks ways to improve capability and in 2012 has further developed its supply base to build multi-sourcing capability, and reduce over-reliance on single suppliers and factories. This process is ongoing.

The Group's disaster recovery plans may not be sufficient

Risk description	Potential impact	Mitigation
The Group depends on the availability of its facilities (both in-house and outsourced) and the performance reliability and availability of its information technology and communications systems. Any damage or denial of access to these systems could disrupt operations.	Should any of these facilities be damaged or lost the Group's ability to trade will be impaired.	The Group continues to invest in improving the availability, integrity and confidentiality of its business systems and has a roadmap for business system replacement and updates going forward. The Group requires that third parties have robust contingency plans in place.

6 Risk

Loss of key individuals

Risk description	Potential impact	Mitigation
The Group will always carry the risk of loss of one or more of the executive directors or senior managers. In particular, the loss of Julian Dunkerton and /or James Holder, who are both held to be synonymous with the Superdry brand, would potentially be of greater significance.	There could be significant focus from investors and stakeholders relating to our ability to maintain and expand the brand and Group.	The board have made a number of senior appointments throughout the year, including, most recently the appointment of Susanne Given as COO and Shaun Wills as CFO.

Breach of intellectual property and counterfeit product

Risk description	Potential impact	Mitigation
The retail clothing and fashion industry and, in particular, iconic brands such as Superdry, will continually be a target for both large and small scale counterfeit operations. Additionally, the Group must actively monitor and assess its designs to ensure that it does not infringe intellectual property of others.	Copied or counterfeit Superdry branded products, with inferior quality and design, reach both existing and future sales territories with a potential to damage brand integrity. Infringement by the Group of third party intellectual property may result in costly legal proceedings and damages.	Working with third party services the Group constantly monitors its supply chain and the global sales of Superdry branded product by unlicensed parties, taking necessary action to both stop and where possible take proceedings against them.

7 Operating Responsibly

SuperGroup strives to operate in a responsible manner and to be a sustainable business. It has made significant progress during the year and has agreed upon key projects for the year ahead.

Governance and structure

Accountability for Group corporate responsibility sits with the Chief Executive Officer, Julian Dunkerton. Matters particular to ethical trading in the supply chain are now led by the Chief Operating Officer, Susanne Given.

A sustainability team is responsible for delivering and managing all work streams associated with the environmental policy and ethical trading policy statements. This team operates independently of the sourcing and buying teams, and progress on the key issue of ethical trading is monitored by the Group's audit committee. Other Group functions, including health and safety and human resources, ensure the wellbeing of the Group's employees.

Factory conditions

The approach to ethical trading is designed to promote safe and fair working conditions wherever the Group operates. At the heart of this are the rights and welfare of all workers in the supply chain and also the wider community.

Since the end of the financial period the Group has launched a supplier manual. Containing the ethical trading terms of engagement, it forms a key element of the ethical trading communication and is designed to foster collaboration and transparency.

The Group uses audits, self-assessments, and factory visits and work collaboratively with suppliers to continuously improve conditions in line with the SuperGroup ethical trading code of practice. Information is continually fed back to sourcing and buying teams to assist with responsible purchasing practices.

SuperGroup has engaged with other retailers, Non-Governmental Organisations ("NGOs") and trade unions in order to get a wider understanding of issues. The Ethical Trading Initiative ("ETI") board has acknowledged the continuous improvement and commitment to ethical trade and upgraded SuperGroup to full membership status.

7 Operating Responsibly

In 2012 the Group:

- Audited 61% of the main production factories for autumn/winter 2012;
- Implemented an audit programme to achieve more than 90% coverage by mid-2013;
- Provided training to key internal design, sourcing and buying employees at SuperGroup;
- Participated in a tri-partite ETI apparel and textiles programme focusing on supply chain working conditions in South India; and
- Communicated the anti-corruption and bribery policy and guidelines to the suppliers.

Creating environmental value

The Group recognises the responsibility to minimise the impact on the natural environment and that efficient use of resources leads to direct cost savings for the Group. The sustainability team collaborates with departments across the Group to identify opportunities to reduce energy and waste.

Improvements implemented during the year include a continued reduction in the carbon footprint of new stores, the implementation of head office energy reduction measures, an increase in Group-wide waste recycling, including textile recycling, and the implementation of lower carbon, reduced cost logistics routes. Details of some of these are provided below.

The Group's carbon footprint calculations are being independently assured by an external specialist environmental consultant, providing the Group with confidence in the carbon figures and a benchmark from which to set targets.

This year, the Group signed a contract with sustainable energy providers, Good Energy Limited, to provide over 92% of all UK stores and office buildings with a 100% renewable electricity tariff through to October 2013. This partnership supports over 35,000 independent solar, wind and water energy generators all around the UK.

In 2012 the Group:

- Created a new low-energy lighting solution for the Regent Street flagship store reducing lighting energy use by 68%;
- Reduced waste to landfill from all head office buildings by 55%; and
- Generated over £6,500 in net revenue through the warehouse recycling programme.

Recognising communities

- As part of the Welsh carrier bag regulations introduced in 2011 the Group has raised £2,888 for its chosen good cause – More Trees, More Good for the Woodland Trust. This campaign aims to plant six million trees across the UK in 2012 and the Group is proud to contribute;
- During the year the Group contributed £7,500 to Care International, an aid agency that works globally to provide relief against poverty and after natural disasters; and
- Since the end of the financial year a donation of £25,000 was made to a Gloucestershire charity that helps young people develop their skills so that they are better equipped to find employment.

Health and safety

A key objective of the Group is to provide a working environment where the health, safety and wellbeing of employees is continually maintained and improved. The Group also seeks to ensure the safety of its customers and other business partners.

To provide assurance to the board, there is a formal health and safety audit and assessment process, conducted by trained staff, that ensures all the premises are assessed on a regular and frequent basis.

Employees

The Group has implemented an employee assistance programme, called 'EmployeeCare' a third party product, offering round the clock counselling on a range of matters.

To encourage wider share ownership for employees, a Save as You Earn scheme was introduced during the financial period. This has provided a secure saving platform for employees as they are not obliged to purchase shares at the end of the term.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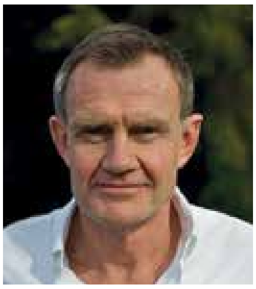
Governance

Board of Directors	30 - 31
Directors' Report	32 - 35
Corporate Governance Statement	38 - 42
Audit Committee Report	43 - 45
Directors' Remuneration Report	48 - 55
Statement of Directors' Responsibilities	57

8 Board of Directors



Peter Bamford

Chairman

Peter is also chairman of the nomination committee.

In addition he is chairman of MCPS-PRS Alliance Limited (known as PRS for Music) and Six Degrees Technology Limited and is a non-executive director of Rentokil Initial Plc.

Peter was a director of Vodafone Group Plc from 1998 to 2006 where he held senior executive roles, including Chief Marketing Officer, Chief Executive of Northern Europe, Middle East and Africa and Chief Executive of Vodafone UK. Prior to this he held senior positions with WH Smith Plc, Tesco Plc and Kingfisher Plc. Peter has served on the boards of public companies for the last 17 years and has extensive experience in developing and growing businesses and brands internationally.

Julian Dunkerton

Chief Executive Officer

Julian is also a member of the nomination committee.

Julian has worked exclusively in the retail sector for over 25 years, co-founding the Cult retail chain from a market stall in Cheltenham and turning it into a successful retail chain. Together with James Holder, Julian established the Superdry clothing brand nine years ago. Julian has a deep understanding of the Superdry brand, strong commercial instincts and feel for its target customers, developed through his hands on experience of building SuperGroup from the ground up.

Susanne Given

Chief Operating Officer

Susanne was appointed on 10 April 2012, and is responsible for the UK Retail division together with the central support functions.

Susanne has held senior positions in a number of leading retailers including John Lewis, TK Maxx, Harrods, Homebase and House of Fraser. She brings a disciplined and structured approach to the Group developed from over 20 years retailing experience across a diverse range of retailers and product sectors.

Shaun Wills

Chief Financial Officer

Shaun was appointed on 23 April 2012.

Shaun was previously Chief Operating Officer at Habitat and Finance Director of Fat Face. Prior to these appointments Shaun held senior roles at New Look and Debenhams Plc. Shaun has over 20 years' experience in the retail sector in finance, strategy and business development roles. He is a qualified accountant.

James Holder

Brand and Design Director

James is responsible for brand and product development, and heads up SuperGroup's team of in-house designers.

James created the Bench clothing brand in 1992, which became the premier English skate-wear brand in the niche skate/BMX market. In 2003, he teamed up with Julian Dunkerton and developed the Superdry brand. James brings exceptional clothing design skills to the Group and has been central to the success of the Superdry brand in appealing to its target market.

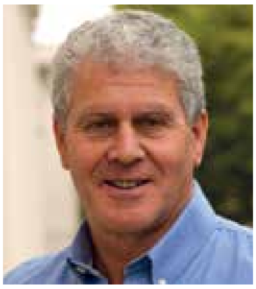
8 Board of Directors

Theo Karpathios

Chief Executive Officer (Wholesale and International)

Theo is responsible for the Wholesale division which encompasses the international expansion of SuperGroup.

Theo joined the business in 2005 and worked closely with Julian Dunkerton and James Holder to develop what has now become SuperGroup. He started his first business venture in 1987 by supplying clothing to Cult in its infancy. In 1996 he began his own retail business, focusing on branded men's and women's street-wear and in 2000 launched a second retail concept which he built up to eight standalone stores and sold in 2004. Theo has over 25 years of retail experience and has developed a strong international understanding.



Keith Edelman

Senior Independent Non-executive Director

Keith is also chairman of the remuneration committee and a member of the nomination committee.

He is also chairman at Beale Plc and a non-executive director at Safestore Holdings Plc, the Olympic Park Legacy and Thorntons Plc.

Keith was Managing Director of Arsenal Holdings Plc from 2000 to 2008 and Chief Executive of Storehouse Plc (encompassing BHS and Mothercare), from 1993 to 1999. Keith has extensive retail and international experience and has also served on the boards of public companies for over 28 years across a wide range of businesses and markets.

Steven Glew

Independent Non-executive Director

Steven is also chairman of the audit committee and a member of the remuneration committee.

He is also Group Finance Director at UK Mail Group Plc where he was appointed to the board in 2006.

Previously Steven was Group Finance Director of Mothercare Plc, Booker Plc and Crown Sports Plc. He also held senior financial positions in Tesco Plc. He has served on the boards of public companies for over 13 years and brings extensive retailing and financial management experience. Steven is a Chartered Accountant.

Ken McCall

Independent Non-executive Director

Ken is also a member of the audit committee.

He is the Managing Director of Europcar UK Group.

Ken was previously Chief Executive Officer of DHL Express UK & Ireland, Chief Executive Officer of TNT Middle East, Africa and Asia and Chief Executive Officer of TNT China. He brings over 30 years' experience in the logistics sector and of running international businesses in Europe and Asia.

Indira Thambiah

Independent Non-executive Director

Indira is also a member of the audit committee and remuneration committee.

Indira was chairman and Chief Executive at Multiyork furniture. She has had her own consultancy practice where she worked with a number of retailers such as Mothercare and as Group eCommerce Director at Dixons Retail UK. Prior to this Indira held senior roles at ASDA Wal-Mart and Home Retail Group Plc, where she was head of multi-channel. Indira is a Chartered Accountant who brings to the board significant retailing and ecommerce experience relevant to the development of the Group's multi-channel business.

9 Directors' Report

Company Number: 07063562

The directors present their Annual Report together with the audited Financial Statements of the company and its subsidiaries (together "the Group") for the 52 weeks ended 29 April 2012 ("the year"). The Corporate Governance Statement, set out in section 10 on pages 38 to 42, forms part of this report. The company is incorporated and domiciled in the UK.

Business review and future developments

SuperGroup Plc is required to set out in this report a fair review of the business of the Group during the year to 29 April 2012 and of the position of the Group at the end of the financial year and a description of the principal risks and uncertainties facing the Group (known as the "Business Review"). The Business Review and the Financial Review can be found in sections 4 and 5. Their purpose is to enable shareholders to form a view as to how well the directors have performed their duties as set out in the Companies Act 2006 (in particular, the duty to promote the success of the Group). A table of key performance indicators is set out in section 5 on page 21. A description of the principal risks and uncertainties facing the Group is included in section 6 is included on pages 22 to 25. The report on Operating Responsibly is set out in section 7 on pages 26 to 27. The sections of the Annual Report referred to above fulfil the requirements of the Business Review, and are incorporated by reference and shall be deemed to form part of this report.

Principal activities

SuperGroup Plc is a UK based designer of branded premium quality clothing and accessories selling through multiple routes to market including retail, wholesale and online. At the year-end, the Group had 103 standalone retail stores, 71 concessions and a growing number of wholesale relationships. Superdry is sold in 101 countries worldwide via its websites and in 54 overseas countries through a well established network of distributors, licensees, agents and franchisees.

The company, SuperGroup Plc, is the holding company for the Group (the "Group"). Details of the principal operating subsidiaries are set out on page 94.

Results and dividends

The audited Financial Statements of the Group for the 52 weeks ending 29 April 2012 are set out on pages 62 to 67. The Group's reported profit before taxation for the 52 weeks was £51.4m (2011: £47.3m).

The board of directors has concluded that the Group is best served by retaining current cash reserves to support growth. Consequently, a recommendation will be made to the AGM that no dividend is payable for 2012 (2011: £nil).

Banking facility

The Group has a bank facility with Barclays Bank Plc as set out in section 16 on page 99. These facilities expire in January 2013 and at this point in time the Group has not committed to extending them. The Group constantly monitors its funding requirements and will extend these as and when required.

Financial instruments

The Group occasionally uses financial instruments to minimise potential adverse effects on the Group's financial performance. In particular, forward contracts relating to foreign exchange have been used. See note 16.31 to the Financial Statements for details of the Group's financial risk management objectives and policies.

Directors

A brief résumé of each director, in office at the date of this report, is set out in section 8 on pages 30 and 31. Diane Savory resigned as a director on 6 May 2011, and Chas Howes resigned as a director on 23 April 2012.

Susanne Given was appointed as a director on 10 April 2012 and Shaun Wills as a director on 23 April 2012. At the 2012 AGM, both these directors will be put forward for election.

At the 2012 AGM, the other directors will retire and being eligible, will offer themselves for re-election. This is in accordance with the Code which replaces the Combined Code for financial years starting on or after 29 June 2010.

The notice of this year's AGM sets out why the board believes the directors should be re-elected. Details of the directors' service agreements and letters of appointment are given in the Directors' Remuneration Report on pages 51 to 53.

9 Directors' Report

Share capital

Details of the issued share capital, together with details of movements in the issued share capital of the company during the year are shown in note 16.32 which is deemed to be part of this report. The company has one class of ordinary shares which carries no right to fixed income. Each share carries the right to one vote at general meetings of the company. The ordinary shares are listed on the Official List and traded on the London Stock Exchange. As at 29 April 2012, the company had 80,234,588 ordinary shares in issue.

Substantial shareholdings

At 30 June 2012, the Group had been notified, in accordance with the Disclosure and Transparency Rules (DTR5), of the following substantial interests in the ordinary share capital of the company (see table below):

Name of holder	Number	% held
Julian Dunkerton	26,088,944	32.52
Theo Karpathios	11,850,003	14.77
James Holder	11,850,003	14.77
Oppenheimer Funds Inc	8,065,470	10.05
FMR LLC	4,000,327	4.99

Share capital, control and restriction on voting rights

As at 29 April 2012, the company's issued share capital was 80,234,588 ordinary shares of five pence each in nominal value. Details of the company's share capital are shown in note 16.32 to the Financial Statements on page 106.

The rules about the appointment and replacement of directors are contained in the company's Articles of Association.

Specific rules regarding the re-election of directors are referred to in the Corporate Governance statement in section 10. Changes to the Articles of Association must be approved by shareholders in accordance with the relevant legislation. Powers relating to the issuing and buying back of shares are included in the company's Articles of Association and such authorities are renewed by shareholders each year at the AGM.

Pursuant to the terms of an agreement entered into between the company and Julian Dunkerton dated 12 March 2010, Julian Dunkerton has undertaken to ensure that the company is able to operate independently of him as a shareholder for as long as he and his connected persons together hold not less than 30% of the voting rights attached to the ordinary shares. He is restricted from exercising his voting rights in certain circumstances, including the requisition of a general meeting to appoint or remove a director.

Change of control

In the event of a change of the control structure, the Group's banking facilities with Barclays Bank Plc could become repayable or be withdrawn if the Bank does not consent to the change of control.

The provisions of the company's employee share plans may cause options and awards granted under such plans to vest upon a change of control.

Directors' share interests

The interests of the directors holding office at 29 April 2012 in the shares of the company are shown in the Directors' Remuneration Report in section 12 on page 55. There were no changes to the beneficial interests of the directors between the period 29 April 2012 and 11 July 2012.

Directors' indemnity insurance

The company maintains directors' and officers' liability insurance which gives appropriate cover for any legal action brought against its directors. In accordance with section 236 of the Companies Act 2006, qualifying third-party indemnity provisions are in place for the directors in respect of liabilities incurred as a result of their office, as far as is permitted by law. Both the insurance and indemnities applied throughout the financial year ended 29 April 2012 and through to the date of this report.

9 Directors' Report

The Takeover Directive

The issued share capital of the company, as at 29 April 2012, consisted of 80,234,588 ordinary shares of five pence nominal value. The rights and obligations attached to these shares are as set out in the Articles of Association available on our website www.supergroup.co.uk. At the AGM in 2011, shareholders approved resolutions to allot shares up to an aggregate nominal value of £1,337,243 (representing, at that time, one third of the company's issued share capital). It is intended to renew this authority at the AGM in September 2012 in respect of shares with a nominal value of £1,337,243 (again, representing one third of the issued share capital as at 29 April 2012).

The disapplication of pre-emption rights for cash issues of shares was approved at the AGM in 2011 in respect of ordinary shares with a nominal value of £200,586 representing approximately 5% of the issued share capital. This disapplication will be renewed at the AGM in September 2012 in respect of ordinary shares with a nominal value of £200,586 (again, representing approximately 5% of the issued share capital).

Other relevant disclosure requirements from the Takeover Directive are included elsewhere in the Directors' Report, the Corporate Governance Statement, the Directors' Remuneration Report and the Notes to the Group and Company Financial Statements.

There are no agreements in place between the Group and its employees or directors for compensation for loss of office or employment that occur because of a takeover bid.

Share buy backs

At the AGM in 2011, shareholders approved a resolution to grant the directors authority to repurchase a maximum number of 8,023,459 ordinary shares (representing 10% of the company's issued share capital) as shares become available. During the reporting year to 29 April 2012, there were no purchases by the company of its own shares. It is intended to renew this authority from shareholders at the AGM in September 2012 in respect of 8,023,459 ordinary shares (again, representing 10% of the issued share capital as at 29 April 2012). Further details are set out in the notice of the AGM.

Going concern

The Group's business activities and growth strategy, together with factors likely to affect the future development, performance and position of the Group, are set out in the Business Review and Finance Review in sections 4 to 5 on pages 7 to 21.

The directors have reviewed the Group's forecasts and projections. These include assumptions around the Group's products, expenditure commitments, expected cash flows and the existing bank facilities. Taking into account possible changes in trading performance and after making enquiries, the directors have a reasonable expectation that the company and the Group have adequate resources to continue their operations for the foreseeable future. For this reason, they have continued to adopt the going concern basis in preparing the Financial Statements.

Creditor payment policy

The Group's policy, in relation to all of its suppliers, is to agree terms of payment when negotiating the terms of a transaction and to abide by those terms, provided that the Group is satisfied that the supplier has provided the goods and services in accordance with the agreed terms and conditions. At the year-end, the Group had creditor days of 95 (2011: 93 days). The company has nil creditor days (2011: nil) as the company is not a trading entity.

Donation

There was a charitable donation during the year to 29 April 2012 of £7,500 (2011: £25,000). There were no political donations.

Since the end of the financial period a donation of £25,000 was made to a Gloucestershire charity that helps young people to develop skills so that they are better equipped to find employment (see page 27).

Related party transactions

Other than in respect of arrangements set out in note 16.5 to the Financial Statements and in relation to the employment of directors, details of which are provided in the Directors' Remuneration Report in section 12 on pages 48 to 55, there is no material indebtedness owed to or by the company or the Group to any employee or any other person or entity considered to be a related party.

Employee practices

The success of the Group is a direct result of the knowledge, skills, drive, passion and enthusiasm of its people. From its earliest days, the culture of the Group has been to create and maintain an environment where individuals can flourish in order to fulfil their potential.

9 Directors' Report

The board has introduced a Long Term Incentive Plan for certain executives as a way of encouraging involvement and association with the long term success of the Group. At the AGM 2011, the Group obtained shareholder approval for the introduction of a Save As You Earn ("SAYE") scheme to give employees the chance to buy shares in the company at a discounted value. Following this approval the Group introduced a SAYE scheme in September 2011 and it is intended to launch another one in October 2012.

The Group has in place a whistleblowing policy so that employees are able to raise concerns without fear of reprisal.

Equality and diversity are fundamental values supported by SuperGroup. The Group has an equal opportunities policy and takes its responsibilities under that policy very seriously. In addition, the company and the Group give full and fair consideration to applications for employment by disabled people. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that the appropriate training is arranged as necessary. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

The Group strives to keep employees closely informed about matters of importance to them, whether financial or business, through an open culture of trust and two-way communication. This is complemented by a mix of informal briefings and electronic media.

Health and safety

The Group is committed to providing a safe place for employees to work and customers to shop.

Group policies are reviewed on an on-going basis to ensure that the policies regarding training, risk assessments, safe systems of working and accident management are appropriate. As part of this process, a rolling audit programme is in place to ensure that health, safety, environmental and security risks are stringently assessed and that robust control measures are in place to limit these risks.

Disclosure of information to auditors

Each director who held office on the date of approval of this Directors' Report confirms that, so far as he or she is aware, there is no relevant audit information of which the company's auditors are unaware. Furthermore, each director 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 auditors are aware of that information.

Independent auditors

The directors will put a resolution before the AGM to reappoint PricewaterhouseCoopers LLP as auditors for the ensuing year.

Annual General Meeting

The AGM of the company will be held at The Cheltenham Ladies' College, Bayshill Road, Cheltenham, Gloucestershire, GL50 3EP on 20 September 2012 commencing at 11.30am. The Notice of this year's AGM is included in a separate circular to shareholders, and will be sent out at least 20 working days before the meeting. This Notice is available to view under the 'Investor Centre' section of the company's website www.supergroup.co.uk. In accordance with provision E.2.2 of the Code all valid proxy appointments are properly recorded and counted and made available at the AGM and published on our website after the meeting.

The directors consider that each of the proposed resolutions to be considered at the AGM are in the best interests of the company and its shareholders as a whole and are most likely to promote the success of the company for the benefit of its shareholders as a whole. The directors unanimously recommend that shareholders vote in favour of each of the proposed resolutions, as the directors intend to do in respect of their own shareholdings.

By order of the board

Wendy Edwards
Company Secretary
11 July 2012
Registered Office:
Unit 60
The Runnings
Cheltenham
Gloucestershire
GL51 9NW

Registered Number: 07063562

10 Corporate Governance Statement

Statement of compliance with the UK Corporate Governance Code (the "Code").

The board remains committed to the achievement of high standards of corporate governance which it considers to be central to the effective management of the Group. Considerable progress has been made during the reporting year to continue to develop appropriate and adequate corporate governance arrangements. This has nevertheless been a challenging year as has been explained in the Chairman's Statement and the Business Review on pages 3 to 16.

The following sections, together with the Directors' Remuneration Report in section 12 on pages 48 to 55, the Directors' Report in section 9 on pages 32 to 35 and the directors' biographies in section 8 on pages 30 to 31, provide an explanation of how the principles of the Code have been applied and of areas of non-compliance during the period in which compliance with the Code was required. The audit committee report in section 11 also forms part of this statement.

The board

The board is collectively responsible for promoting the success of the Group and for implementing the company's business model as set out in the Business Review on pages 7 to 11. The board provides leadership for the Group and concentrates its efforts on strategy, performance, governance and internal control, as set out in a schedule of matters reserved for the board. The system of internal control in place within the Group is designed to manage rather than eliminate risk, and can provide only reasonable, not absolute, assurance against material misstatement or risk.

As at the date of this report, the board has ten members: the non-executive Chairman, the Chief Executive Officer, four executive directors and four non-executive directors. Biographies of these directors appear in section 8 on pages 30 to 31. During the reporting period the board was compliant with the ratio of non-executive directors to executive directors (Code provision B.1.2) from 6 May 2011 (following the resignation of Diane Savory), until the appointment of Susanne Given (Chief Operating Officer) on 10 April 2012. The board is at present non-compliant in this area, and has been since 10 April 2012. The nomination committee has considered this matter and it is not intending to appoint an additional non-executive director at this stage, but will continue to keep this matter under review. Therefore at the date of this report, the ratio of non-executive to executive directors does not comply with the principles of the Code.

During the financial year ended 29 April 2012, SuperGroup complied with the relevant provisions set out in the Code, in all areas apart from Code provision B.1.2, as set out above and B.2.1 as set out on page 40 under nomination committee.

Keith Edelman is the Group's Senior Independent Director. A summary of the responsibilities of the Senior Independent Director are available on our website. In his role as Senior Independent Director, he has met with shareholders to listen to their views, in particular after the market update in October 2011 and continues to make himself available.

Non-executive director independence

The independence of the non-executive directors is considered at least annually along with their commitment and performance on the board and relevant committees. During the year the Chairman and the Senior Independent Director took on additional external roles and there has been no impact to SuperGroup Plc.

All the non-executive directors are considered by the board to be independent of management and free from any relationship that could materially interfere with the exercise of their independent judgement.

The board meets regularly to consider issues relating to the overall performance, strategy and future development of the Group. In accordance with the Code, a schedule of matters reserved to it for decisions has been approved by the board and this has been communicated widely to the Group.

The principal matters reserved for the board are:

- Setting and managing Group strategy;
- Changes relating to the Group's capital structure including share issues and buybacks;
- Financial reporting and controls;
- Ensuring maintenance of sound internal controls and risk management;
- Capital expenditure and long term commitments;
- Board membership and appointment;
- Remuneration policy;
- Delegation of authority; and
- Corporate governance and company policy.

10 Corporate Governance Statement

The requirement for board approval on these matters is understood.

The board receives appropriate and timely information to enable it to discharge its duties.

The division of responsibilities between Chairman and Chief Executive Officer is set out in writing and agreed by the board in accordance with provision A.2.1 of the Code.

The non-executive directors meet with the Chairman separately from time to time, without the executive directors present, (reference provision A.4.2 of the Code). During the year of reporting, the non-executive directors have met without the Chairman present to appraise the performance of the Chairman. This review was led by the Senior Independent Director.

All members of the board of directors, and the sub-committees, have sufficient resources and a budget set aside to allow access to independent advice as required, (reference provision B.5.1 of the Code). For non-executive directors, a relevant clause is included in their letters of appointment setting out their required time commitment (reference B.3.2).

All directors have access to the advice and services of the Company Secretary, who is responsible to the board for ensuring that board procedures are complied with (reference provision B.5.2). The appointment of the Company Secretary is a matter for the board, as set out in the schedule of matters reserved for the board.

Operational matters, trading performance and the development of proposals for the board, where required under the schedule of matters reserved for the board, are controlled by an executive committee that consists of the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, the Brand and Design Director, the Chief Executive Officer (Wholesale and International), the Head of e-Commerce and the Head of European Business Development.

The board has appointed committees to carry out certain duties, and these are detailed below. Each of these committees is chaired by a separate chairman and has written terms of reference, available on the website, www.supergroup.co.uk.

Minutes are prepared for each of these meetings by the Company Secretary and presented at the following respective meetings for approval. All committees have sufficient resources to undertake their duties.

Audit committee:	Steven Glew (Chairman)
	Ken McCall
	Indira Thambiah
Remuneration committee:	Keith Edelman (Chairman)
	Steven Glew
	Indira Thambiah
Nomination committee:	Peter Bamford (Chairman)
	Keith Edelman
	Julian Dunkerton

Performance evaluation

A board evaluation to assess the performance of the board, its non-executive directors and committees was carried out in early May 2012, to assess performance for the financial period ending 29 April 2012, in accordance with the Code provision B.6.1. This involved the use of an online questionnaire to the directors and covered a range of issues around board and committee processes, board roles and responsibilities. This is an annual process carried out by an independent third party. In addition, a process of continued assessment has been undertaken during the financial period with the Chairman conducting meetings with the directors. The performance of the executive directors during the period of reporting was monitored by the Chief Executive Officer and the Chairman.

Re-election of directors

At the AGM in 2011, all directors offered themselves for re-election. At the AGM in 2012, all of the directors will again retire and will offer themselves for re-election, with the exception of Susanne Given and Shaun Wills who having been appointed during the period, will offer themselves for election (reference provision B.7.1).

The board believes that each of the directors standing for re-election continue to be effective. In addition, the Chairman, having carried out an evaluation of their performance is satisfied that the individuals continue to demonstrate commitment to the role.

10 Corporate Governance Statement

Remuneration committee

A description of the work of the remuneration committee is made available in section 12 on page 48.

Board and committee attendance

The table below gives details of directors' attendance at scheduled board and committee meetings during the financial year ended 29 April 2012:

	Board meeting	Audit committee	Nomination committee	Remuneration committee
Maximum number	**10**	**4**	**3**	**4**
Peter Bamford	10	–	3	–
Keith Edelman	10	–	3	4
Steven Glew	10	4	–	4
Indira Thambiah	9	3	–	4
Ken McCall	8	4	–	–
Julian Dunkerton	10	–	3	–
Theo Karpathios	10	–	–	–
James Holder	10	–	–	–
Chas Howes[1]	9	–	–	–
Susanne Given[2]	1	–	–	–
Shaun Wills[2]	1	–	–	–
Diane Savory[3]	–	–	–	–

1. Chas Howes resigned from the board on 23 April 2012 and so was eligible to attend 9 of the meetings during the financial year.
2. Susanne Given and Shaun Wills were appointed to the board on 10 April and 23 April respectively and so were only eligible to attend one meeting.
3. Diane Savory resigned from the board on 6 May 2011, prior to any meetings taking place.

During the year, additional board meetings were held as required to respond to the needs of the Group.

From time to time, committee meetings are attended by non-members by invitation from the relevant chairman. Attendance is set out in the various committee reports.

Directors' conflicts of interest

The company's Articles of Association permit the directors to consider and, if thought fit, to authorise situations where a director has an interest that conflicts, or may possibly conflict, with the interests of the Group. In deciding whether to authorise a conflict or potential conflict, the non-conflicted directors must act in a way they consider would be most likely to promote the success of the Group, and they may impose limits or conditions when giving their authorisation, or subsequently, if they think it is appropriate. Any authorisation given is recorded in the board minutes. As previously disclosed Julian Dunkerton's brother-in-law was a director of Tokyo Retail Limited until this company was acquired by the Group (see note 16.5 on page 80). In accordance with the Companies Act 2006, the board has considered and authorised any director's reported potential conflicts to date. The board will continue to monitor and review potential conflicts of interest on a regular basis.

Nomination committee

Peter Bamford is chairman of the nomination committee and the other committee members are Keith Edelman and Julian Dunkerton. The board is satisfied that the chairman was independent on appointment and Keith Edelman is an independent non-executive director. The board is aware that currently the majority of the committee are not independent (reference provision B.2.1 of the Code). The nomination committee will continue to monitor this situation. The nomination committee is responsible for nominating candidates for appointment to the board, having assessed the skills and experience required by the Group.

10 Corporate Governance Statement

All appointments to the board are considered, while maintaining a suitable balance of skills and experience as required by the Group from time to time, and role descriptions are drawn up accordingly (reference provision B.2.2 of the Code). The Chairman and all non-executive directors have declared their other significant commitments, including all other board positions, to the board prior to being appointed (reference provisions B.3.1 and B.3.2 of the Code). The Chairman and the non-executive directors are aware of their on-going obligation to disclose any changes to their other commitments as they arise, and have adhered to this during the financial period. In accordance with the provisions of the Code, a broad indication of the time involved with other significant commitments is disclosed by the non-executive directors.

Their expected time commitment to SuperGroup is included in the terms and conditions of appointment which are available for inspection at the Registered Office of SuperGroup Plc (reference provision B.3.2 of the Code).

None of the existing executive directors holds non-executive directorships.

During the year of reporting, the nomination committee held three meetings. Following the resignation of Diane Savory from the board in May 2011, the nomination committee developed a job specification for a Chief Operating Officer and recognised that this would be a wider remit than that previously held. The nomination committee appointed an external search company to assist with the recruitment of a suitable candidate to this role.

Following the request from Chas Howes to resign from his position as Group Finance Director, the nomination committee again appointed an external search company to assist with the recruitment of a suitable successor.

The search for these two positions was based on merit and a set of objective criteria.

Following the appointment to the board of Susanne Given as Chief Operating Officer on 10 April 2012, the nomination committee recommended to the board that the appointment of an additional non-executive director should be deferred at this point in time. The board approved this recommendation, while recognising that it did not fully comply with the recommendations of provision B.1.2 of the Code.

The principal functions of the nomination committee include the following:

- To review the structure, size and composition of the board and recommend changes when appropriate;
- To consider and recommend succession planning for executive and non-executive directors;
- To identify and nominate candidates for the approval of the board to fill board vacancies or new positions as and when they arise; and
- To evaluate the skills, experience and knowledge of board members.

The terms of reference of the nomination committee are available on our website at www.supergroup.co.uk.

During the financial year, Susanne Given and Shaun Wills were appointed to the board and were given a full induction in accordance with B.4.1 of the Code.

Information and professional development

Non-executive directors meet regularly with members of the executive committee and members of the senior management team to gain first-hand experience of the business. Senior managers regularly attend board meetings to make presentations to the directors. This year, these presentations have included such topics as: sourcing, logistics, IT strategy, international franchise rollout and product development. In addition, the non-executive directors make site visits to ensure that they are kept up to date with developments across the Group. To date, all directors have received instruction on their responsibilities as a director from the Group's legal advisors and company's stockbrokers. In addition, the board is provided with regular briefings on legislative developments. During the year, the board was briefed on boardroom diversity and compliance with the UK Bribery Act 2010.

Communication with shareholders

The company and the Group recognise the importance of communicating with shareholders. Communication with institutional shareholders is undertaken as part of SuperGroup's investor relations programme, in which non-executive directors are encouraged to participate. The Chief Executive Officer and the Chief Financial Officer have continued to develop a mutual understanding of objectives between the Group and institutional shareholders by making presentations after the preliminary and interim results and communicating regularly on developments. The non–executive directors attend some of these meetings to hear feedback from shareholders.

10 Corporate Governance Statement

The Chairman and Senior Independent Director have arranged meetings with institutional shareholders to gain a balanced understanding of their views and concerns and discuss strategy development and corporate governance. In addition, in view of the market updates made during the financial period, there has been a need for a proactive approach to communicating with shareholders. The Chairman has led this and ensured that the views of shareholders are communicated to the board as a whole.

The Chairman, the Senior Independent Director and the non-executive directors are in regular communication with the significant private shareholders (the three original executive directors), who sit on the board.

The company's AGM will be held on 20 September 2012, at which time shareholders will have the opportunity to ask questions. The chairmen of the audit, remuneration and nomination committees, together with all other members of the board of directors, will be present to answer shareholder questions (reference provision E.2.3 of the Code).

Shareholders will have the opportunity to meet non-executive directors at additional times in the year.

The full Annual Report and Financial Statements are made available to all shareholders and potential investors. Other information about the company and Group is made available on the website at www.supergroup.co.uk.

The Takeover Directive

In accordance with the Disclosure and Transparency Rules ("DTR") 7.2.6R and the Companies Act 2006 ("CA2006"), a statement on the Takeover Directive is included within section 9 on page 34.

Internal control

The board is ultimately responsible for the Group's systems of internal control and for reviewing its effectiveness annually as set out in C.2.1 of the Code. Following the market update on 20 April 2012, a full and comprehensive review of the adequacy of the existing internal controls is underway. This review is being led by the Chief Operating Officer and the Chief Financial Officer.

In accordance with the revised guidance for directors on internal control (the "Revised Turnbull Guidance"), the board confirms that there is an ongoing process for identifying, evaluating and managing the risks faced by the Group. This process was put in place prior to the IPO in March 2010 and has been continually developed, and facilitated, by our Head of Business Assurance and Internal Audit Function. This process was in place throughout the year under review and up to the date of approval of the Annual Report and Financial Statements. These systems are there to manage rather than eliminate risk, and can provide only reasonable, and not complete assurance against material misstatement or loss.

In respect of our financial reporting process and the process for preparing the consolidated accounts, management monitors the processes underpinning the Group's financial reporting systems through regular reporting and review. Data for consolidation into the Group's financial statements is reviewed by management to ensure that it reflects a true and fair view of the Group's results.

During the year of reporting, the audit committee continued to use the services of KPMG LLP as the Group's internal auditors. KPMG LLP have continued a review of internal controls and have had in place an internal audit plan for the year ahead. This internal audit plan has allocated responsibility for identifying and evaluating significant risks to the relevant business area, on a continuing basis and this is regularly reviewed by the audit committee in accordance with the Turnbull Guidance, (provision C.2.1).

The report was approved by the board of directors on 11 July 2012 and signed on its behalf by:

Wendy Edwards
Company Secretary
11 July 2012
Registered Office:
Unit 60
The Runnings
Cheltenham
Gloucestershire
GL51 9NW

11 Audit Committee Report

This report meets the requirements of the Code issued by the UK Financial Services Authority.

Role and responsibility

The audit committee assists the board in discharging its responsibilities with regard to financial reporting, external and internal audits and internal controls. This includes reviewing the Group's annual financial statements, together with reviewing and monitoring the extent of the non-audit work undertaken by the external auditors, advising on the appointment of external and internal auditors, and monitoring and reviewing the effectiveness of the Group's internal audit activities and systems of risk management and internal controls. The ultimate responsibility for reviewing the effectiveness of its systems of internal control and risk management and for approving the annual report and financial statements and the half-year report remains with the board.

The principal functions of the audit committee as set out in provision C.3.2 are to:

- Monitor the integrity of all financial statements issued by the Group and any formal announcements relating to the Group's financial performance, reviewing significant financial reporting judgements contained therein;
- Review and challenge, where necessary, accounting policies and practices, decisions requiring a major element of judgement, the clarity of disclosures, compliance with accounting standards and compliance with Financial Services Authority, Financial Reporting Council and other legal and regulatory requirements;
- Review the Group's internal financial controls and internal control and risk management systems, by considering reports from both the internal and external auditors during the year and reports on the effectiveness of internal controls and risk management systems from the Chief Financial Officer and Head of Business Assurance;
- Review the effectiveness of the Group's internal audit function and ensure that it is adequately resourced, as per provision C.3.5;
- Recommend to the board the appointment, reappointment and removal of the external auditors and to approve the remuneration and terms of their engagement;
- Review and monitor the external auditors' independence and objectivity, and the effectiveness of the external audit process;
- Review the Group's controls and systems to ensure compliance with the provisions of the Bribery Act 2010;
- Review the overall control environment, including incidents of actual or potential fraud; and
- Review the engagement of the external auditors to ensure that the provision of non-audit services by the external audit firm does not impair its independence or objectivity.

The terms of reference of the audit committee are available at www.supergroup.co.uk.

Committee membership

Steven Glew is chairman of the audit committee and the other audit committee members are Indira Thambiah and Ken McCall. All of the audit committee members are non-executive directors and the board considers them all to be independent. As per the Code, (provision C.3.1) the chairman has relevant and recent financial experience. The audit committee meets at least four times per year and further as necessary to fulfil its function effectively. By invitation of the chairman, the Group non-executive Chairman, Chief Financial Officer, divisional finance directors, Head of Business Assurance, Head of Internal Audit (outsourced with KPMG LLP), other senior managers and the external auditors may also attend audit committee meetings. The former Group Finance director (Chas Howes) attended all meetings during the year. Since the year end, with the changes to the board, the Chief Operating Officer (Susanne Given) and the Chief Financial Officer (Shaun Wills) have now been invited to attend audit committee meetings.

The role of audit committee secretary is fulfilled by the Company Secretary.

At least once a year, the committee meets separately with the external auditors and the Head of Internal Audit without management present.

Committee activities

The audit committee has met four times during the year and reports of these meetings were provided to the subsequent board meetings.

11 Audit Committee Report

The principal matters under consideration during the year are set out as follows:

Risk management and internal control

The audit committee has reviewed and discussed with management the Group's process, evaluation and assessment of its internal controls and management of risk (including financial, operational, technical and compliance risks), focusing on effectively managing major risks to the Group. The review covered all material controls (as set out in C.2.1 of the Code). During the year, KPMG Internal Audit Services continued to be appointed by the audit committee to further develop and deliver an internal audit plan for the Group. There is a comprehensive Risk Register in place within the Group and an Internal Control framework.

The Group's risk management and internal controls have continued to develop during the year. These are used by the executive directors as a tool to assist with decision making. A key aspect of focus for the committee was monitoring progress with the introduction of policies and controls to ensure the maintenance of appropriate working practices in the supply base (further detail is set out in pages 26 to 27 of the report). There are inherent limitations in any system of internal control and, accordingly, even the most effective system can provide reasonable, not absolute, assurance. Following the market update on 20 April 2012 a full and comprehensive review of the internal controls has been commenced under the direction of the Chief Financial Officer and Chief Operating Officer.

Financial reporting

The audit committee reviewed and approved the Interim Statement and Preliminary Announcement together with the Annual Report and Financial Statements, the appropriateness and acceptability of accounting policies and practices, and compliance with financial reporting standards and requirements.

Fraud and whistleblowing

In accordance with provision C.3.4, the audit committee has approved and discussed with management the Group's processes and policies for whistleblowing and for fraud and security. A whistleblowing policy is in place and the audit committee is satisfied that employees have the opportunity to raise concerns in confidence about possible fraudulent activity and any other concerns that arise within the organisation. The audit committee is satisfied that arrangements are in place for proportionate and independent investigation of such matters, including appropriate follow-up action.

Bribery

The audit committee reviewed progress with the implementation of controls and procedures surrounding anti-bribery monitoring to ensure compliance with the Bribery Act 2010.

Internal audit

The work of internal audit has focused on the areas of risk to SuperGroup Plc, as determined by management's risk identification and assessment processes as validated by the executive directors. The output from this process is summarised in an audit plan which is approved by the board and audit committee, and updated on a regular basis. With the appointment of the Chief Operating Officer and the Chief Financial Officer a reassessment of the areas of greatest risk is currently underway to reflect the current challenges in the business.

The Head of Internal Audit reports to the Chief Financial Officer and the chairman of the audit committee. In addition to attending two of the audit committee meetings, the Head of Internal Audit has attended the executive leadership team meetings and has reported regularly on internal audit reviews to executive management during the year.

The key objectives are to provide independent and objective assurance on risks and controls to the board and senior management and to assist the board with meeting its corporate governance and regulatory responsibilities. The role of internal audit and the scope of its work continue to evolve to take account of changes within the Group and emerging best practice.

External audit

The audit committee reviewed the audit strategy and the outcome and findings of the annual external audit. In addition, the audit committee approved the scope and fees for the external audit. The audit committee confirmed that where PricewaterhouseCoopers LLP provided non-audit services their objectivity was not compromised and that the policy on the use of auditors for non-audit work had been reviewed during the financial period.

11 Audit Committee Report

Independence and objectivity

Auditor independence is maintained by monitoring the nature and value of non-audit services carried out, and by ensuring that employees of the external auditor who have worked on the audit in the past two years are not appointed to senior financial positions within the company. The rotation of the lead partner is at least every five years. The audit committee assessed the independence of the external auditors and concluded that PricewaterhouseCoopers LLP were independent, and have been since their appointment in March 2010.

The audit committee is responsible for recommending the appointment, re-appointment and removal of external auditors. PricewaterhouseCoopers LLP have advised that in accordance with the rules relating to partner rotation, the current audit partner will stand down at the completion of this year's audit.

The audit committee has recommended the reappointment of PricewaterhouseCoopers LLP for the next financial year.

Non-audit work

The general policy in respect of non-audit work by the external auditors is that they should not be requested to carry out non-audit services on any material activity of the Group where they may, in the future, be required to give an audit opinion.

However, the committee has approved the following exceptions:

- The preparation and filing of corporation tax returns, providing these follow the external auditors sign-off of the statutory accounts;
- Due diligence work associated with business acquisitions;
- Advice on tax matters in connection with the evolving corporate structure to support the growth of the Group, provided the engagement team is separate to the audit engagement team;
- Specific advice on matters such as VAT, and employment taxes, where the engagement team is separate to the audit engagement team; and
- Advising on tax and legal structures in Europe.

The committee has reviewed and agreed the non-audit services provided by the external auditors, together with the associated fees, and is satisfied that these did not prejudice the external auditors' independence or objectivity. During the year, the Group spent £0.6m (2011: £1.1m) on non-audit services provided by PricewaterhouseCoopers LLP. Further details can be found in note 16.9.

Steven Glew
Audit Committee Chairman
11 July 2012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12 Directors' Remuneration Report

Introduction

This report has been prepared on behalf of the board by the remuneration committee. It has been prepared in accordance with the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 (the "Regulations") issued under the Companies Act 2006 (the "Act") and meets the requirements of the Financial Services Authority's Listing Rules. A resolution to approve the report will be proposed at the 2012 AGM of the company at which the financial statements will be approved. The report has been divided into separate sections for unaudited and audited information.

UNAUDITED INFORMATION

Remuneration committee

The remuneration committee consists of three independent non-executive directors. The members of the remuneration committee are Keith Edelman (committee chairman), Indira Thambiah and Steven Glew. The remuneration committee meets at least three times per annum as per the terms of reference, but more frequently if required. Meetings held, and attendance by remuneration committee members during the financial year, are detailed in the Corporate Governance Statement. None of the remuneration committee members has any personal financial interest (other than as shareholders), or conflicts of interests arising from cross-directorships or day-to-day involvement in running the business. Directors are not involved in discussions about their own remuneration.

Executives may attend committee meetings by invitation of the committee, except where their own remuneration was being discussed. The Group Finance Director (to 23 April 2012), the Chief Financial Officer (from 23 April 2012) and the Head of HR attended committee meetings during the period under review and provided advice to assist the committee.

The main responsibilities of the remuneration committee include:

- Determining and agreeing with the board the remuneration policy for the Chairman, executive directors and senior management;
- Setting individual remuneration arrangements for the Chairman and executive directors;
- Recommending and monitoring the remuneration of senior management; and
- Approving the service agreements for the Chairman, and executive directors, including termination arrangements.

The remuneration of the non-executive directors is a matter for the Chairman and executive directors.

The role of remuneration committee secretary is fulfilled by the Company Secretary. The terms of reference of the remuneration committee are available at www.supergroup.co.uk.

The remuneration committee is responsible for appointing external independent consultants to advise on executive remuneration matters. New Bridge Street ("NBS") were retained by the remuneration committee during the year to advise on executive remuneration matters. The terms of engagement between the company and NBS are available from the Company Secretary on request. NBS provide no other services to the company.

12 Directors' Remuneration Report

Remuneration policy

The committee continues to operate a fixed pay remuneration policy (i.e. base salary and benefits) for those executive directors with significant shareholdings in the company (i.e. the Chief Executive Officer, Brand and Design Director and Chief Executive Officer (Wholesale and International) hereafter referred to as the 'Founder Directors' in this report). This policy has been adopted given that the committee believes that these individuals are already sufficiently incentivised and aligned with other shareholders without the need to offer annual or long-term incentive arrangements although this approach will be kept under review.

For executive directors without major shareholdings (i.e. the recently appointed Chief Operating Officer and Chief Financial Officer) the committee is of the view that the company's executive remuneration policies should encourage a strong performance culture, strategy delivery and long term shareholder value creation and be positioned competitively to enable it to recruit, retain and incentivise appropriately skilled individuals. To achieve this, the committee therefore aims to position their fixed pay competitively while operating a competitive suite of annual and share-based long-term incentives so that a substantial proportion of total remuneration is performance linked and aligned with shareholders.

Base salary and benefits

Executive directors' base salaries are reviewed annually by the committee, taking into account the responsibilities, skills and experience of each individual, pay and employment conditions within the company and the Group, and salary levels within listed companies of a similar size. Current base salary levels, which have not been increased since the company's flotation in 2010, are as set out in the table on page 54.

Taxable benefits for 2012 related to the provision of medical and life insurance and, to certain executive directors, a car allowance. In addition, in 2013, the Chief Operating Officer and Chief Financial Officer may reclaim relocation costs incurred, up to pre-agreed limits.

Pension

The Chief Operating Officer and Chief Financial Officer are eligible to participate in the company's Group Personal Pension Scheme ("GPPS") whereby for an executive contribution of 5% of base salary, the company contributes 7.5% of base salary.

Retirement benefits are accruing to one director (2011: nil) under a defined contribution scheme held with a third party.

Annual bonus

No annual bonus arrangement was operated for executive directors during the year ended 29 April 2012. However an annual bonus arrangement has been introduced for 2013 with a maximum limit of 100% of base salary based on financial metrics and pre-set personal and strategic objectives. Specific targets have not been disclosed as they are considered to be commercially confidential but they will be demanding. Only the Chief Operating Officer and the Chief Financial Officer will participate in the arrangement for 2013 given the committee's view that the Founder Directors' significant shareholdings are sufficient to align their interests with shareholders without the need to include them in an annual incentive arrangement.

12 Directors' Remuneration Report

Long term incentives

Following shareholder approval at the 2010 AGM, the SuperGroup Performance Share Plan ("PSP") enables the company to incentivise and reward participants appropriately for contributing to the delivery of the company's strategic objectives and to provide an appropriate level of long-term performance pay.

Under the PSP, each year individuals may receive awards of shares in the company which will normally vest three years after they are awarded, subject to the satisfaction of sliding scale performance conditions measured over a three year period and continued service.

Although Founder Directors are eligible to participate in the PSP, the committee believes that their significant shareholdings in the company are sufficient to incentivise them and align interests with longer term company performance at the current time. Therefore awards under the PSP for 2013 will be restricted to the Chief Operating Officer, Chief Financial Officer and below board level senior executives ("Senior Executives").

The PSP's individual annual limit is a maximum of 200% of an individual's base salary with scope to grant up to 300% of base salary in exceptional circumstances (e.g. on recruitment).

For the 2012 awards and in connection with their respective recruitment arrangements, Susanne Given will shortly be granted an award of 300% of base salary and Shaun Wills will shortly be granted an award of 200% of base salary. From 2013 onwards, it is expected that the normal grant policy for executive directors (excluding Founder Directors) will be 100% of salary. Actual award levels to Senior Executives are generally significantly below the maximum levels.

Consistent with past awards granted to Senior Executives, performance for the 2012 awards will be 70% based on sliding scale earnings per share ("EPS") and 30% based on total shareholder return ("TSR") relative to a selected group of retailers as measured over the three year period ending the 2015 financial year end. In addition to the TSR performance condition, the remuneration committee must also be satisfied that there has been an improvement in the company's underlying financial performance. Full details of the awards, including the performance conditions, will be disclosed in the stock exchange announcement which will be published shortly following the grant and in next year's Remuneration Report.

The remuneration committee is comfortable that the blend of EPS and TSR targets provides a balance between incentivising and rewarding strong financial performance while creating a strong alignment with the interests of institutional shareholders by rewarding stock market outperformance.

Executives may benefit, in the form of additional cash or shares, from the value of dividends paid over the vesting period, to the extent that awards vest.

Dilution

In accordance with shareholder guidelines, the committee applies a limit on the amount of shares that can be issued to satisfy employee share plan awards of 10% of the company's issued share capital in any rolling 10 year period. Of this 10%, only half can be issued to satisfy awards under the discretionary arrangements (i.e. the PSP). Since flotation in 2010, the company has not issued any shares to satisfy employee share plan awards.

Share ownership guidelines

In conjunction with the introduction of the PSP, the company introduced share ownership guidelines. Under the guidelines, executive directors not holding shares worth at least 100% of their base salary will be expected to retain 50% of any PSP awards which vest (net of tax) granted until such time as this level of holding is met.

12 Directors' Remuneration Report

Sharesave scheme

The remuneration committee received shareholder approval for an HM Revenue & Customs approved Sharesave Scheme (the "Scheme") at the 2011 AGM. Under the Scheme, all eligible employees, including executive directors, may be invited to participate, saving up to a maximum of £250 each month for a fixed period of three years. At the end of the savings period, individuals may use their savings to buy ordinary shares in the Group at a discount capped at up to 20% of the market price, set at the launch of each Scheme.

Board appointments during 2012

Susanne Given was appointed Chief Operating Officer on 10 April 2012. A summary of the main elements of her on-going package is as follows:

Base salary: £350,000

Annual bonus potential: 100% of base salary from 2014 onwards (see overleaf)

LTIP: 100% of base salary from 2013 onwards

Pension: 7.5% of salary company contribution

12 Directors' Remuneration Report

Additionally, in order to facilitate her recruitment, Susanne Given will shortly be granted an initial PSP award over shares with a value equal to 300% of base salary (reverting to the normal 100% of salary policy from 2013 onwards) and she will receive a guaranteed payment of £350,000 under the 2013 annual bonus arrangement shortly following the first anniversary of appointment providing she remains in employment and is not under notice at the payment date.

Shaun Wills was appointed Chief Financial Officer on 23 April 2012. A summary of the main elements of his on-going package is as follows:

Base salary: £250,000

Annual bonus potential: 100% of base salary from 2013 onwards

LTIP: 100% of base salary from 2013 onwards

Pension: company contribution of 7.5% of salary

Additionally, in order to facilitate his recruitment, Shaun Wills will shortly be granted an initial PSP award of shares with a value equal to 200% of base salary reverting to the normal 100% of salary policy from 2013 onwards.

While the remuneration committee is aware that the higher than normal PSP awards and bonus arrangements for Susanne Given are somewhat unusual, the remuneration committee is satisfied that the company is paying no more than was necessary to facilitate both recruitments when the timing of the appointments, experience of the individuals recruited, lengthy negotiations and amounts forfeited upon leaving their previous roles are considered.

The total fees paid to third parties in connection with the recruitment of Susanne Given and Shaun Wills were £88,000.

Executive directors' service contracts

The executive directors' service agreements are terminable on 12 months' notice, by either the company or the executive giving written notice to the other, or at the sole discretion of the company, on the payment in lieu of the executive's basic salary due for the remainder of the notice period. The service agreements contain provisions on non-competition, non-solicitation and non-dealing.

Name of director	Date of contract	Notice period from company/ director (months)
Julian Dunkerton	12 March 2010	12
Susanne Given[3]	19 March 2012	12
James Holder	12 March 2010	12
Theo Karpathios	12 March 2010	12
Shaun Wills[4]	19 March 2012	12
Diane Savory[1]	12 March 2010	12
Chas Howes[2]	12 March 2010	12

1. Diane Savory stepped down from the board on 6 May 2011.
2. Chas Howes stepped down from the board on 23 April 2012.
3. Susanne Given signed her contract on 19 March 2012 and joined the business on 10 April 2012 when she was appointed to the board.
4. Shaun Wills signed his contract on 19 March 2012 and joined the business on 23 April 2012 when he was appointed to the board.

Save for certain investment purposes only, the executive directors must obtain board approval in order to be involved in any business other than that of the Group, or engage in any other activity which the company considers may impair their performance.

12 Directors' Remuneration Report

Non-executive directors

The non-executive directors have been appointed for an initial period of three years. The appointment may be terminated by either the company or the relevant director giving three months' notice, or in the case of the Chairman 12 months written notice. Save in respect of retirement by rotation, a non-executive director being removed from office will be entitled to compensation equal to their fees due during the notice period.

Name	Appointment date	Expected date of expiry of current term
Peter Bamford	29 January 2010	29 January 2013
Keith Edelman	4 February 2010	4 February 2013
Steven Glew	5 February 2010	5 February 2013
Indira Thambiah	12 February 2010	12 February 2013
Ken McCall	24 May 2010	24 May 2013

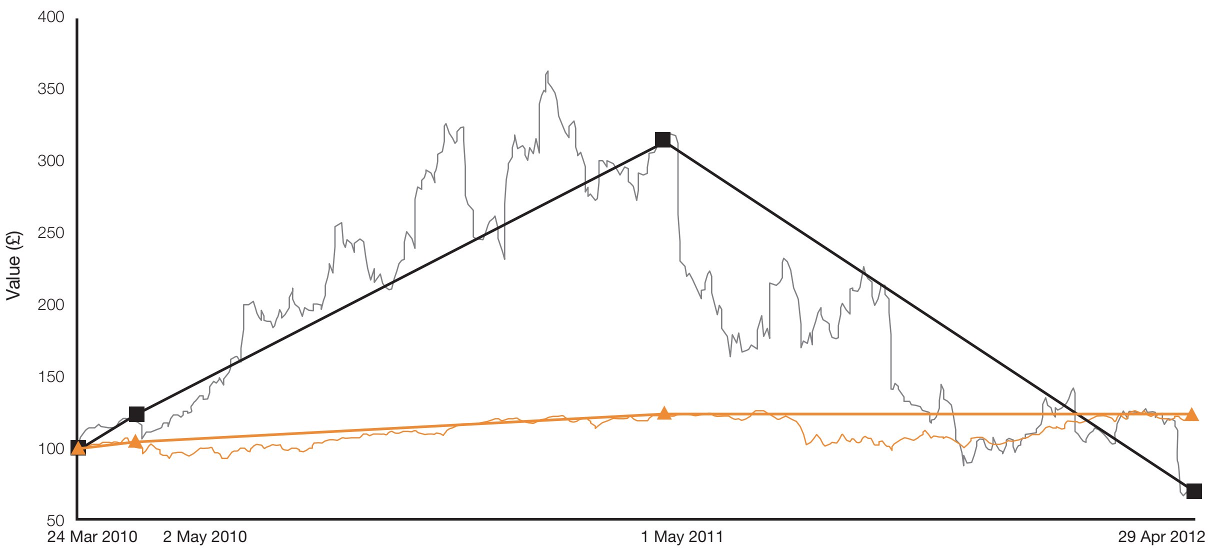
The remuneration arrangements of the non-executive directors (a matter for the non-executive Chairman and executive members of the board) and the non-executive Chairman (a matter for the remuneration committee) are reviewed from time to time with regard to the time commitment required and the level of fees paid in comparable companies. Non-executive directors do not receive benefits from their office other than fees and reasonable expenses. They do not receive pension or performance-related pay from the company.

Current fee levels are set out in the table on page 54.

Performance graph

The following graph shows the company's total shareholder return compared with the TSR of the FTSE 250 (excluding Investment Trusts) over the period from flotation to 29 April 2012.

Total Shareholder Return
Source: Thomson Reuters Datastream



The graph shows the value, on 29 April 2012, of £100 invested in SuperGroup Plc on 24 March 2010 (the first day of trading in SuperGroup PLC shares) compared with the value of £100 invested in the FTSE 250 Index (excluding Investment Trusts).

SuperGroup Plc
SuperGroup Plc (daily)
FTSE 250 (excluding Investment Trusts) Index
FTSE 250 (excluding Investment Trusts) Index (daily)

12 Directors' Remuneration Report

AUDITED INFORMATION

Directors' emoluments

The emoluments of the directors were as follows:

Name	Directors' salaries/fees	Pension contributions	Taxable benefits[5]	Other payments	Total to 29 April 2012	Total to 1 May 2011
Executive directors						
Julian Dunkerton	£400,000	–	£19,463	–	£419,463	£418,745
Susanne Given[1]	£19,183	£1,009[6]	£1,038	–	£21,230	–
James Holder	£300,000	–	£15,432	–	£315,432	£314,919
Theo Karpathios	£300,000	–	£15,863	–	£315,863	£315,145
Shaun Wills[2]	£5,769	–	£332	–	£6,101	–
Diane Savory[3]	£4,688	–	£863	£112,500	£118,051	£225,745
Chas Howes[4]	£221,250	–	£2,215	£3,750	£227,215	£226,127
Non-executive directors						
Peter Bamford	£150,000	–	–	–	£150,000	£150,000
Keith Edelman	£62,500	–	–	–	£62,500	£62,500
Steven Glew	£57,500	–	–	–	£57,500	£57,500
Indira Thambiah	£50,000	–	–	–	£50,000	£50,000
Ken McCall	£50,000	–	–	–	£50,000	£46,875
Total	**£1,620,890**	**£1,009**	**£55,206**	**£116,250**	**£1,793,355**	**£1,867,556**

Notes

1. Susanne Given was appointed to the board on 10 April 2012.
2. Shaun Wills was appointed to the board on 23 April 2012.
3. Diane Savory stepped down from the board and ceased employment on 6 May 2011. Consistent with her contractual provisions and as disclosed in the Other Payments column above, the company agreed a payment of £112,500, payable in 6 monthly instalments, equating to 6 months base salary.
4. Chas Howes stepped down from the board on 23 April 2012 and announced his intention to resign from the business on 27 April 2012. Consistent with his contractual provisions he will continue to be paid his normal annual salary of £225,000 until he ceases employment on 26 April 2013. This has been accrued in full at 29 April 2012. The amount presented in the Other Payments column above reflects base salary paid between 23 April 2012 and the year end.
5. Taxable benefits comprised medical and life insurance and a company car allowance and relocation expenses to certain directors.
6. Pension contributions - Susanne Given's pension contribution for April 2012 was £1,009.

12 Directors' Remuneration Report

Interests in shares

The interests of the directors and their families in the shares of the company at the end of the reporting period were as follows:

	29 April 2012 Ordinary shares	1 May 2011 Ordinary shares
Julian Dunkerton	26,088,944	26,088,944
Susanne Given	–	–
James Holder	11,850,003	11,850,003
Theo Karpathios	11,850,003	11,850,003
Shaun Wills[1]	1,254	–
Peter Bamford	6,000	6,000
Keith Edelman	4,000	4,000
Ken McCall	5,000	5,000
Steven Glew	4,000	4,000
Indira Thambiah	6,000	6,000

Note
1. Shaun Wills acquired his shares in an independent capacity prior to his appointment to SuperGroup Plc.

There have been no other changes in the interests set out above between 29 April 2012 and 11 July 2012.

Keith Edelman
Remuneration Committee Chairman
11 July 2012

13 Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and company Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 the company and of the profit or loss of the Group for that year. In preparing these Financial Statements, the directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- Prepare the Financial Statements on a going concern basis, unless it is inappropriate to presume that the Group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and company's transactions and disclose with reasonable accuracy, at any time, the financial position of the Group and company and enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the International Accounting Standards ('IAS') Regulation. They are also responsible for safeguarding the assets of the company and the Group and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the directors, whose names and functions are listed in Section 8 of the Annual Report and Financial Statements, confirm that, to the best of their knowledge:

- The Financial Statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group and company; and

- The Group management report contained in sections 1 to 7 of the Annual Report and Financial Statements includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

On behalf of the board

Julian Dunkerton
Chief Executive Officer
11 July 2012

Shaun Wills
Chief Financial Officer
11 July 2012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Financial Statements

Independent Auditors' Report to the members of SuperGroup Plc **60 – 61**
Group and Company Financial Statements **62 – 67**
Notes to the Group and Company Financial Statements **68 – 106**
Shareholder Information **107**

14 Independent Auditors' Report to the members of SuperGroup Plc

We have audited the financial statements of SuperGroup Plc for the 52 weeks ended 29 April 2012 which comprise the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements, the Group and Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities on page 57, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we became aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 29 April 2012 and of the Group's profit and Group and Company's cash flows for the 52 weeks then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion 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; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

14 Independent Auditors' Report to the members of SuperGroup Plc

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Under the Listing Rules we are required to review:

- the Directors' Statement, set out on page 34, in relation to going concern;
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the board on directors' remuneration.

Steven Kentish (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
11 July 2012

15 Group and Company Financial Statements

15.1 Group statement of comprehensive income

							Group
		Underlying[1] 2012	Non-underlying and exceptional items	Total 2012	Underlying[1] 2011	Non-underlying and exceptional items	Total 2011
	Note	£m	£m	£m	£m	£m	£m
Revenue	16.4	313.8	–	313.8	237.9	–	237.9
Cost of sales		(135.0)	–	(135.0)	(104.8)	(0.3)	(105.1)
Gross profit		**178.8**	**–**	**178.8**	**133.1**	**(0.3)**	**132.8**
Selling, general and administrative expenses	16.7	(138.8)	8.3	(130.5)	(85.2)	(1.1)	(86.3)
Other gains and losses (net)	16.8	2.7	0.3	3.0	2.2	(1.5)	0.7
Operating profit	16.6	**42.7**	**8.6**	**51.3**	**50.1**	**(2.9)**	**47.2**
Finance income	16.12	0.1	–	0.1	0.1	–	0.1
Profit before tax		**42.8**	**8.6**	**51.4**	**50.2**	**(2.9)**	**47.3**
Income tax expense	16.14	(12.2)	(3.1)	(15.3)	(14.3)	(2.9)	(17.2)
Profit for the period		**30.6**	**5.5**	**36.1**	**35.9**	**(5.8)**	**30.1**
Other comprehensive income net of tax:							
Currency translation differences	15.4	(3.8)	–	(3.8)	1.7	–	1.7
Total comprehensive income for the period		**26.8**	**5.5**	**32.3**	**37.6**	**(5.8)**	**31.8**
Attributable to:							
Owners of the Company		26.8	5.5	32.3	37.6	(5.8)	31.8
				pence per share			pence per share
Earnings per share:							
Basic	16.17			45.0			37.9
Diluted	16.17			44.7			37.9

[1] Underlying results have been adjusted to reflect the impact of the gain/loss recognised on fair valuing deferred consideration, financial derivatives and exceptional items. In addition, the prior periods have been adjusted to reflect the impact of revaluation of inventory within SuperGroup Europe BVBA at acquisition (IFRS 3 revised requirement) and the impact of including the prior year's freight and duty costs into inventory. Further details of the adjustments are included in note 16.13. All references to underlying in this statement are after making these adjustments. Retail and Wholesale segments are presented before Group overheads and royalties unless stated otherwise.

The company has elected to take the exemption under Section 408 of the Companies Act 2006 not to present the company statement of comprehensive income.

The notes on pages 68 to 106 inclusive are an integral part of these consolidated financial statements.

The company number is 07063562.

15 Group and Company Financial Statements

15.2 Balance sheets

		Group		Company	
		2012	2011	2012	2011
	Note	£m	£m	£m	£m
ASSETS					
Non-current assets					
Property, plant and equipment	16.18	63.8	38.6	3.4	0.9
Intangible assets	16.19	40.7	29.4	0.4	0.4
Investments in subsidiaries	16.20	–	–	360.9	400.0
Deferred income tax assets	16.21	38.0	44.2	0.1	–
Total non-current assets		**142.5**	**112.2**	**364.8**	**401.3**
Current assets					
Inventories	16.22	55.5	52.3	–	–
Trade and other receivables	16.23	42.6	35.7	18.6	16.0
Cash and cash equivalents	16.24	30.9	32.2	2.0	5.7
Total current assets		**129.0**	**120.2**	**20.6**	**21.7**
LIABILITIES					
Current liabilities					
Borrowings	16.25	0.2	–	14.0	12.9
Trade and other payables	16.26	47.4	34.1	1.8	1.4
Current income tax liabilities	16.26	4.4	7.1	–	–
Derivative financial instruments	16.31	1.2	1.5	–	–
Total current liabilities		**53.2**	**42.7**	**15.8**	**14.3**
Net current assets		**75.8**	**77.5**	**4.8**	**7.4**
Non-current liabilities					
Borrowings	16.25	0.4	0.9	–	–
Trade and other payables	16.26	30.8	34.5	–	–
Provisions for other liabilities and charges	16.27	0.6	0.5	–	–
Deferred income tax liabilities	16.21	2.5	3.0	–	–
Total non-current liabilities		**34.3**	**38.9**	**–**	**–**
Net assets		**184.0**	**150.8**	**369.6**	**408.7**
EQUITY					
Share capital	16.32	4.0	4.0	4.0	4.0
Share premium	15.4	138.6	138.6	138.6	138.6
Translation reserve	15.4	(2.1)	1.7	–	–
Merger reserve	15.4	(302.5)	(342.3)	–	–
Retained earnings	15.4	346.0	348.8	227.0	266.1
Total equity	15.4	**184.0**	**150.8**	**369.6**	**408.7**

The notes on pages 68 to 106 inclusive are an integral part of these consolidated financial statements.

The financial statements on pages 62 to 106 were approved by the board of directors on 11 July 2012 and signed on its behalf by:

Julian Dunkerton
Chief Executive Officer

Shaun Wills
Chief Financial Officer

15 Group and Company Financial Statements

15.3 Cash flow statements

		Group		Company	
		2012	2011	2012	2011
	Note	£m	£m	£m	£m
Cash flows from operating activities					
Profit/(loss) before tax		51.4	47.3	(40.5)	(0.2)
Adjusted for:					
– Depreciation of property, plant and equipment	16.18	11.1	7.4	0.9	0.2
– Loss on disposal of property, plant and equipment	16.6	–	0.2	–	–
– Amortisation of intangible assets	16.19	2.1	0.5	0.1	0.1
– Impairment of investments	16.20	–	–	39.1	–
– Net impact of lease incentives		(2.2)	(0.2)	–	–
– Net finance income	16.12	(0.1)	(0.1)	–	–
– Fair value (gain)/loss on derivative financial instruments	16.31	(0.3)	1.5	–	–
– Foreign exchange losses on operating activities		0.3	0.1	–	–
– Share based payment for termination agreement with 888 clothing		–	0.5	–	0.5
– Fair value (gain)/loss on deferred share consideration	16.13	(8.3)	0.4	–	–
– Impact of IFRS 3 (revised) on inventory acquired at date of acquisition	16.13	–	1.9	–	–
– Long term incentive plan	16.11	0.7	0.2	0.7	–
Changes in working capital:					
– Increase in inventories		(3.6)	(24.3)	–	–
– Increase in trade and other receivables		(6.9)	(13.4)	(2.2)	(14.5)
– Increase in trade and other payables, and provisions		12.3	3.4	0.6	–
Cash generated from/(used in) operations		**56.5**	**25.4**	**(1.3)**	**(13.9)**
Interest received	16.12	0.1	0.1	–	0.1
Tax paid		(12.3)	(7.4)	–	–
Net cash generated from/(used in) operating activities		**44.3**	**18.1**	**(1.3)**	**(13.8)**

15 Group and Company Financial Statements

15.3 Cash flow statements (continued)

		Group		Company	
		2012	2011	2012	2011
	Note	£m	£m	£m	£m
Cash flow from investing activities					
Acquisition of subsidiaries (net of cash acquired)		(0.3)	(2.9)	–	–
Purchase of property, plant and equipment	16.18	(36.8)	(19.8)	(3.4)	(1.0)
Proceeds on sale of property, plant and equipment		–	0.1	–	–
Purchase of intangible assets	16.19	(15.6)	(0.7)	(0.1)	(0.4)
Purchase of investments	16.20	–	–	–	(25.0)
Net cash used in investing activities		**(52.7)**	**(23.3)**	**(3.5)**	**(26.4)**
Cash flow from financing activities					
Cash contributions received from landlords		7.7	9.7	–	–
Repayment of borrowings	16.25	(0.3)	–	–	–
Proceeds received from issuance of shares net of transaction costs	15.4	–	–	–	18.0
Net cash generated from financing activities		**7.4**	**9.7**	**–**	**18.0**
Net (decrease)/increase in cash and cash equivalents	16.30	**(1.0)**	**4.5**	**(4.8)**	**(22.2)**
Cash and cash equivalents, net of overdraft, at beginning of period	16.24	32.2	28.0	(7.2)	15.0
Exchange losses on cash and cash equivalents	16.30	(0.3)	(0.3)	–	–
Cash and cash equivalents at end of period, net of overdraft	16.24	**30.9**	**32.2**	**(12.0)**	**(7.2)**

The notes on pages 68 to 106 inclusive are an integral part of these consolidated financial statements.

15 Group and Company Financial Statements

15.4 Statements of changes in equity

Group	Note	Share capital £m	Share premium £m	Translation reserve £m	Merger reserve £m	Retained earnings £m	Total equity £m
Balance at 2 May 2010		**4.0**	**120.1**	**–**	**(342.3)**	**318.7**	**100.5**
Comprehensive income							
Profit for the period	15.1	–	–	–	–	30.1	30.1
Other comprehensive income							
Currency translation differences		–	–	1.7	–	–	1.7
Total other comprehensive income		**–**	**–**	**1.7**	**–**	**–**	**1.7**
Total comprehensive income for the period		**–**	**–**	**1.7**	**–**	**30.1**	**31.8**
Transactions with owners							
Issue of ordinary shares	16.32	–	18.5	–	–	–	18.5
Total transactions with owners		**–**	**18.5**	**–**	**–**	**–**	**18.5**
Balance at 1 May 2011		**4.0**	**138.6**	**1.7**	**(342.3)**	**348.8**	**150.8**
Comprehensive income							
Profit for the period	15.1	–	–	–	–	36.1	36.1
Other comprehensive income							
Currency translation differences		–	–	(3.8)	–	–	(3.8)
Total other comprehensive income		**–**	**–**	**(3.8)**	**–**	**–**	**(3.8)**
Total comprehensive income for the period		**–**	**–**	**(3.8)**	**–**	**36.1**	**32.3**
Transactions with owners							
Employee share award scheme		–	–	–	–	0.9	0.9
Impairment of goodwill[2]		–	–	–	39.8	(39.8)	–
Total transactions with owners		**–**	**–**	**–**	**39.8**	**(38.9)**	**0.9**
Balance at 29 April 2012		**4.0**	**138.6**	**(2.1)**	**(302.5)**	**346.0**	**184.0**

2 An impairment of £39.8m (2011: £nil), which relates to goodwill of: £20.3m in C-Retail Limited, £16.2m in SuperGroup Concessions Limited and £3.3m in SuperGroup Retail Ireland Limited, has been recorded in the subsidiaries of the Group. Under the principles of predecessor accounting the impairment creates a movement between the merger reserve and retained earnings on consolidation.

15 Group and Company Financial Statements

15.4 Statements of changes in equity (continued)

Company	Note	Share capital £m	Share premium £m	Retained earnings £m	Total equity £m
Balance at 2 May 2010		**4.0**	**120.1**	**266.2**	**390.3**
Comprehensive income					
Loss for the period		–	–	(0.1)	(0.1)
Total comprehensive income for the period		**–**	**–**	**(0.1)**	**(0.1)**
Transactions with owners					
Issue of ordinary shares	16.32	–	18.5	–	18.5
Total transactions with owners		**–**	**18.5**	**–**	**18.5**
Balance at 1 May 2011		**4.0**	**138.6**	**266.1**	**408.7**
Comprehensive income					
Loss for the period		–	–	(40.0)	(40.0)
Total comprehensive income for the period		**–**	**–**	**(40.0)**	**(40.0)**
Transactions with owners					
Employee share award schemes		–	–	0.9	0.9
Total transactions with owners		**–**	**–**	**0.9**	**0.9**
Balance at 29 April 2012		**4.0**	**138.6**	**227.0**	**369.6**

The notes on pages 68 to 106 inclusive are an integral part of these consolidated financial statements.

16 Notes to the Group and Company Financial Statements

16.1 Principal accounting policies

a) Basis of preparation

The financial statements of SuperGroup Plc (the "company") and SuperGroup Plc and its subsidiary undertakings in the UK, Republic of Ireland, Belgium, France, Netherlands and Turkey as detailed in note 16.20 (the "Group") have been prepared on a going concern basis under the historical cost convention as modified by fair values, in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union, and in accordance with the Companies Act 2006 applicable to companies reporting under IFRS.

The current period ("2012") is for the 52 weeks ended 29 April 2012 (2011: 52 weeks ended 1 May 2011 ("2011")).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Group's accounting policies (note 16.2).

Net debt analysis (as set out in note 16.30), which is a non-GAAP measure, has been provided as it is considered to be useful to the reader.

The Group financial statements are presented in sterling and all values are rounded to the nearest hundred thousand except where indicated.

b) Basis of consolidation

The consolidation of the subsidiaries acquired in advance of the Initial Public Offering in March 2010 (C-Retail Limited, Cult Retail LLP, DKH Retail Limited, Laundry Athletics LLP, SuperGroup Concessions Limited, SuperGroup International Limited, SuperGroup Internet Limited and SuperGroup Retail Ireland Limited) into the financial statements of SuperGroup Plc has been prepared under the principles of predecessor accounting, whereby an acquirer is not required to be identified, and all entities are included at their pre-combination carrying amounts. This accounting treatment leads to differences on consolidation between consideration and fair value of the underlying net assets and this difference is included within equity as a merger reserve (note 15.4). All subsequent business combinations are accounted for using the acquisition method of accounting (note 16.1c).

Subsidiaries are those entities in which the Group has power to govern the financial and operating policies so as to obtain economic benefits. The existence and effect of potential voting rights that are presently exercisable or convertible are considered when assessing whether the Group controls another entity.

The results of subsidiaries acquired during the year are included in the Group statement of comprehensive income from the date on which control is transferred to the Group. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Intercompany transactions and balances are eliminated on consolidation.

c) Business combinations

The Group uses the acquisition method of accounting to account for business combinations of entities not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes directly attributable costs of investment. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

16 Notes to the Group and Company Financial Statements

16.1 Principal accounting policies (continued)

Movements in the fair value of contingent consideration and the fair value uplift to inventory are disclosed on the face of the statement of comprehensive income as the directors believe it is helpful to understand the performance of the business excluding these items.

d) Foreign currencies

The consolidated financial information is presented in pounds sterling, which is the company's functional and the Group's presentation currency.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currency are translated at the rates ruling at the balance sheet date. Resulting exchange gains and losses are recognised in the Group statement of comprehensive income.

Upon consolidation, the assets and liabilities of the Group's foreign operations are translated at the rate of exchange ruling at the balance sheet date. Income and expense items of foreign operations are translated at the actual rate or average rate if not materially different. Differences on translation are recognised as a separate equity reserve.

e) Revenue recognition

Revenue is measured at the fair value of the consideration received, or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimate of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Standalone store revenue

Standalone store revenue from the provision of sale of goods is recognised at the point of sale of a product to the customer. Standalone store sales are settled in cash or by credit or payment card. It is the Group's policy to sell its products to the customer with a right to exchange within 28 days.

Concession revenue

Concession revenues from the provision of sale of goods are recognised gross at the point of sale of a product to the customer. Concession revenues are settled in cash, by the concession grantors net of commissions or other fees payable. It is the concessions' policy to sell its products with a right to exchange within 28 days and a cash refund within 14 days.

Internet revenue

Revenue from the provision of the sale of goods on the internet is recognised at the point that the risks and rewards of the inventory have passed to the customer, which is the point of dispatch. Transactions are settled by credit card, payment card or Paypal. Provisions are made for internet credit notes based on the expected level of returns, which in turn is based upon the historical rate of returns.

Wholesale revenue

Wholesale revenues from the sale of goods and provision of services are recognised at the point that the risks and rewards of the inventory have passed to the customer, which depends on the specific terms and conditions of sales transactions and which are typically upon either dispatch or delivery. Revenues are settled in cash, net of discounts.

Provisions are made for Wholesale credit notes based on the expected level of returns, which in turn is based upon the historical rate of returns.

f) Other income

Other income relates to proceeds from legal claims and royalty income.

Royalty income is recognised gross on an accruals basis in accordance with the substance of the Wholesale royalty agreements.

16 Notes to the Group and Company Financial Statements

16.1 Principal accounting policies (continued)

Royalty income earned by the Wholesale segment from the Retail segment is eliminated on consolidation being an intercompany transaction.

g) Finance income

Finance income comprises interest receivable on funds invested. Finance income is recognised in the Group statement of comprehensive income using the effective interest method.

h) Finance expenses

Finance expenses comprise interest payable on interest-bearing loans and borrowings. Finance expenses are recognised in the Group statement of comprehensive income using the effective interest method.

i) Leasing and similar commitments

Leases are accounted for as operating leases as the risks and rewards of ownership are retained by the lessor and the rental charges are charged to the Group statement of comprehensive income on a straight-line basis over the life of the lease.

Lease incentives are received in the form of cash contributions and rent-free periods and are considered financing activities for the purposes of the cash flow statement, as they are the same as financing from landlords to fund store fit-outs.

Cash contributions

Cash contributions from landlords for store fit-outs are initially recognised as a deferred income liability in the balance sheet at the point the recognition criteria in the lease is met, and credited to selling, general and administrative expenses in the Group statement of comprehensive income on a straight-line basis over the term of the lease commencing from opening date. Cash contributions are not discounted.

Rent-free periods

A deferred income liability is built up on the balance sheet during the rent-free period, which is then credited to the Group statement of comprehensive income over the life of the lease. The effect is to recognise a reduction in selling, general and administrative expenses on a straight-line basis over the longer of the term of the lease, or from property access date to the end of the lease. Rent-free periods are not discounted.

Lease premiums

Lease premiums paid to landlords are initially recognised as a prepayment, and lease premiums paid to previous tenants are initially recognised as an intangible asset, in the balance sheet, at the point the recognition criteria in the lease is met, and debited to selling, general and administrative expenses in the Group statement of comprehensive income on a straight-line basis over the term of the lease commencing from opening date.

j) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and reviewed annually for impairment. Cost includes the original purchase price and the costs attributable to bringing the asset into its working condition but excludes interest. Gains and losses on disposals are determined by comparing the proceeds received with the carrying amount and are recognised within other gains and losses (net) in the Group statement of comprehensive income.

Depreciation is provided at rates calculated to write down the cost of the assets, less their estimated residual values, over their remaining useful economic lives as follows:

Freehold buildings	– 50 years on a straight-line basis
Leasehold improvements	– 5 – 7 years on a straight-line basis
Furniture, fixtures and fittings	– 5 – 7 years on a straight-line basis
Computer equipment	– 3 – 5 years on a straight-line basis
Motor vehicles	– 25% on a reducing balance basis

Land is not depreciated. Residual values and useful economic lives are reviewed annually and adjusted if appropriate.

16 Notes to the Group and Company Financial Statements

16.1 Principal accounting policies (continued)

k) Impairment

The carrying values of non-financial assets are tested annually to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated. Cash-generating units are considered to be the combined UK standalone stores, the concessions, internet, UK and international wholesale, Europe and Republic of Ireland divisions. Where the asset does not generate cash flows which are independent from other assets, the recoverable amount of the cash-generating unit to which the asset belongs is estimated.

The recoverable amount of a non-financial asset is the higher of its fair value less costs to sell, and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

An impairment loss is recognised in the Group statement of comprehensive income whenever the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. An impairment loss in a subsidiary consolidated under predecessor accounting (note 16.1b) is recognised as a movement in the merger reserve and retained earnings.

l) Intangible assets

Intangible assets acquired separately from a business are recognised initially at cost. An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and impairment losses. Intangible assets with a finite life have no residual value and are amortised on a straight line basis over their expected useful lives as follows:

Trademarks	– 10 years
Website and software	– 5 years
Lease premiums	– Over the life of the lease on a straight-line basis
Distribution agreements	– 6 years

Trademark costs comprise the external cost of registration and associated legal costs. Website and software costs consist primarily of externally incurred development costs. Lease premiums comprise the amount paid to the previous tenant to acquire the lease. Distribution agreements comprise the fair value, at date of acquisition, of distribution agreements acquired as part of a business combination. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

m) Derivative financial instruments and hedging activities

Derivative financial instruments are recognised initially at their fair value and remeasured at fair value at each period end. Derivative financial instruments are categorised as held for trading. The gain or loss on remeasurement to fair value is recognised immediately in the Group statement of comprehensive income. The Group has not applied hedge accounting.

Foreign forward exchange derivative gains and losses are recognised in other gains and losses.

Movements on derivative financial instruments are disclosed separately on the face of the Group statement of comprehensive income as the directors believe it is helpful to understand the performance of the business excluding movements on financial derivatives.

n) Inventories

Inventories are valued at the lower of cost or net realisable value. Cost comprises costs associated with the purchase and bringing of inventories to the distribution centres and is based on the weighted average principle. Provisions are made for obsolescence, mark-downs and shrinkage.

o) Trade receivables

Trade receivables are recognised at original invoice amount less impairment losses. A provision for the impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due, according to the original terms. Significant financial difficulties of the customer, probability that the customer will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable may be impaired. The movement in the provision is recognised in the Group statement of comprehensive income.

16 Notes to the Group and Company Financial Statements

16.1 Principal accounting policies (continued)

p) Cash and cash equivalents

Cash and short-term deposits comprise cash at bank and in hand and short-term deposits with an original maturity date of three months or less. Bank overdrafts are offset against cash when a right of offset exists and the Group intends to use this right of offset. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and short-term deposits, less overdrafts, which are repayable on demand.

q) Borrowings

Borrowings are initially recorded at fair value net of transaction costs, including facility fees incurred, and subsequently measured at amortised cost using the effective interest method. Where a loan is obtained at interest rates different from market rates, the loan is remeasured at origination to its fair value, which is calculated as future interest payments and principal repayments discounted at market interest rates for similar loans. Subsequently, the carrying amount of the borrowings is adjusted for amortisation of the origination gain or loss, and the amortisation is recorded as finance income/cost using the effective interest yield method on the asset/liability.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

r) Provisions and contingent liabilities

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of economic benefits will be required to settle the obligation and the obligation can be estimated reliably. Provisions are not discounted.

s) Employee benefit obligations

The Group operates a defined contribution pension scheme for the benefit of its employees. The Group pays contributions into an independently administered fund via a salary sacrifice arrangement. The costs to the Group of providing these benefits are recognised in the Group statement of comprehensive income and comprise the amount of contributions payable to the scheme in respect of the year.

Payroll expense and related contributions

Wages, salaries, payroll tax, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group.

t) Share based payments

The Group operates an equity settled share based compensation plan. The fair value of the shares under such plans is recognised as an expense in the Group statement of comprehensive income. Fair value is determined using the Black–Scholes Option Pricing Model. The amount to be expensed over the vesting period is determined by reference to the fair value of share incentives excluding the impact of any non-market vesting conditions. Non-market vesting conditions are considered as part of the assumptions about the number of share incentives that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of share incentives that are expected to vest. The impact of the revision on original estimates, if any, is recognised in the Group statement of comprehensive income, with a corresponding adjustment to equity over the remaining vesting period.

u) Trade and other payables

Trade and other payables, excluding lease incentives (see note 16.1i), are non-interest bearing and are initially recognised at their fair value which approximates book value. Trade and other payables are de-recognised when the contractual obligations to the cash flows from the liability expire or are transferred.

16 Notes to the Group and Company Financial Statements

16.1 Principal accounting policies (continued)

v) Taxation

The policy for current and deferred tax, when relevant, is as follows:

- tax on the profit or loss for the period will comprise current and deferred tax;
- current income tax expense is calculated using the tax rates which have been enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years;
- deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes;
- the amount of deferred tax provided is based on the expected realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted by the balance sheet date;
- a deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised; and
- deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

w) Dividends

In the future, dividends will be recognised as a liability and deducted from equity at the balance sheet date only if they have been approved before or on the balance sheet date. Dividends will be disclosed when they have been proposed before the balance sheet date or proposed or declared after the balance sheet date but before the financial statements are approved for issue by the directors.

x) Share capital

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

y) Retained earnings

The retained earnings reflect the accumulated profits and losses of the Group.

z) Merger reserve

The merger reserve arose on the Group restructuring in March 2010 and represents the differences on consolidation arising on the adoption of predecessor accounting. This comprises the difference between consideration paid, the book value of net assets acquired in the transaction less any impairment.

aa) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Chief Operating Decision-Maker, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive board members.

ab) Cost of sales

Cost of sales comprises movements between opening and closing inventories, purchases, carriage in, commissions payable, and other related expenses.

16 Notes to the Group and Company Financial Statements

16.1 Principal accounting policies (continued)

ac) Exceptional Items

Items that are material in size, unusual or infrequent in nature, are disclosed separately as exceptional items in the Group statement of comprehensive income.

The separate reporting of exceptional items, which are presented as exceptional within the relevant category in the Group statement of comprehensive income, helps to provide an indication of the Group's underlying business performance. The principal items which may be included as exceptional items are:

- significant profit/(loss) on the disposal of non-current assets;
- impairment of property, plant and equipment;
- impairment of non-current other receivables;
- impairment of intangible assets;
- impact on deferred tax for changes in tax rates;
- the costs and benefits associated with significant corporate, financial or operational restructuring, including acquisitions and the IPO; and
- charges for non-trading related bonuses and share based payments.

ad) Events occurring after the balance sheet date

The values of assets and liabilities at the balance sheet date are adjusted if there is evidence that subsequent adjusting events warrant a modification of these values. These adjustments are made up to the date of approval of the financial statements by the board. Other non-adjusting events are disclosed in the notes to the financial statements where they are material.

16.2 Critical accounting estimates and judgements in applying accounting policies

The preparation of financial statements in conformity with IFRS as adopted by the EU 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 the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The judgements, estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below.

a) Recoverability of deferred tax assets

The Group has recognised a significant deferred tax asset in its financial statements which requires judgement for determining the extent of its recoverability at each balance sheet date. The Group assesses recoverability with reference to board approved forecasts of future taxable profits. These forecasts require the use of assumptions and estimates. The Group's subsidiaries will need to make taxable profits of at least £156.3m over the next 18 years (2011: £170.7m over 19 years) to obtain the full tax deduction against the amortisation of goodwill and intangible assets in those subsidiaries.

b) Impairment of goodwill

The Group has tested goodwill for impairment which requires judgement when determining the recoverable amount. Further details of the impairment testing and the key assumptions are included in more detail in note 16.19.

16 Notes to the Group and Company Financial Statements

16.3 New accounting pronouncements

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning 2 May 2011 that would be expected to have a material impact on the Group.

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 2 May 2011:

- IAS 19 (amendments), 'Employee benefits', amended in June 2011. The impact will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in OCI as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). This is not applicable for the Group as it does not have any defined benefit pension schemes.

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015, subject to endorsement by the EU.

- IFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU.

- IFRS 12, 'Disclosure of interest in other entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU.

- IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Group is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU.

16.4 Segment information

The Group's operating segments under IFRS 8 have been determined based on the reports reviewed by the Group's Chief Operating Decision Maker (executive board members "the board"). The board assesses the performance of the operating segments based on profit before tax, before inter-segment royalties. The board considers the business from a customer perspective only, being Retail and Wholesale.

The board receives information, reviews the performance of the business, allocates resources and approves budgets for two operating segments, and therefore information is disclosed in respect of the following two segments:

- Retail – principal activities comprise the operation of UK and Republic of Ireland stores, concessions and all internet sites. Revenue is derived from the sale to individual consumers of own brand and third party clothing, footwear and accessories; and

- Wholesale – principal activities comprise the design and ownership of brands, wholesale distribution of own brand products (clothing, footwear and accessories) worldwide and the operation of European stores.

16 Notes to the Group and Company Financial Statements

16.4 Segment information (continued)

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The Group reports and manages central functions as part of Retail operations, which includes the goodwill and intangibles arising on consolidation.

Sales between segments are carried out at arm's length. The revenue from external parties reported to the board is measured in a manner consistent with that of the IFRS financial statements.

Royalties charged between segments have been reflected in the performance of each business segment. Inter-segment transfers or transactions entered into under a cost plus pricing structure are not reflected in the performance of each business segment.

Segmental information for the main reportable business segments of the Group for the 52 weeks ended 29 April 2012 and 1 May 2011 is set out below:

	Retail 2012 £m	Wholesale 2012 £m	Group 2012 £m
Total segment revenue	191.0	126.0	317.0
Less: inter-segment revenue	–	(3.2)	(3.2)
Revenue from external customers	**191.0**	**122.8**	**313.8**
Finance income	0.1	–	0.1
Profit before tax before inter-segment royalties	25.7	25.7	51.4
Inter-segment royalties	(15.3)	15.3	–
Profit before tax	**10.4**	**41.0**	**51.4**
Total assets	129.7	141.8	271.5
Total liabilities	64.0	23.5	87.5
Capital expenditure	47.9	4.3	52.2
Depreciation and amortisation	12.0	1.2	13.2
Net impact of lease incentives (income)	2.2	–	2.2
Underlying income tax expense	2.8	9.4	12.2
Non-underlying and exceptional income tax expense	–	3.1	3.1

16 Notes to the Group and Company Financial Statements

16.4 Segment information (continued)

The following additional information is considered useful to the reader.

	Reported 2012 £m	Gain recognised on fair value of deferred consideration £m	Financial derivatives £m	Underlying[1] 2012 £m
Revenue				
Retail	191.0	–	–	191.0
Wholesale	122.8	–	–	122.8
Total revenue	**313.8**	**–**	**–**	**313.8**
Gross profit	178.8	–	–	178.8
Operating profit				
Retail	31.6	–	0.1	31.7
Wholesale	25.7	–	(0.4)	25.3
Total operating profit before Group overheads	**57.3**	**–**	**(0.3)**	**57.0**
Group overheads	(6.0)	(8.3)	–	(14.3)
Operating profit before royalties				
Retail	25.6	(8.3)	0.1	17.4
Wholesale	25.7	–	(0.4)	25.3
Total operating profit before royalties	**51.3**	**(8.3)**	**(0.3)**	**42.7**
Net finance income – Retail	0.1	–	–	0.1
Profit before tax before royalties	**51.4**	**(8.3)**	**(0.3)**	**42.8**
Retail	25.7	(8.3)	0.1	17.5
Wholesale	25.7	–	(0.4)	25.3

1 Underlying results have been adjusted to reflect the impact of the gain/loss recognised on fair valuing deferred consideration, financial derivatives and exceptional items. In addition, the prior periods have been adjusted to reflect the impact of revaluation of inventory within SuperGroup Europe BVBA at acquisition (IFRS 3 revised requirement) and the impact of including the prior year's freight and duty costs into inventory. Further details of the adjustments are included in note 16.13. All references to underlying in this statement are after making these adjustments. Retail and Wholesale segments are presented before Group overheads and royalties unless stated otherwise.

16 Notes to the Group and Company Financial Statements

16.4 Segment information (continued)

	Retail 2011 £m	Wholesale 2011 £m	Group 2011 £m
Total segment revenue	147.4	91.6	239.0
Less: inter-segment revenue	–	(1.1)	(1.1)
Revenue from external customers	**147.4**	**90.5**	**237.9**
Exceptional items	–	(0.7)	(0.7)
Finance income	0.1	–	0.1
Profit before tax before inter-segment royalties	29.3	18.0	47.3
Inter-segment royalties	(11.3)	11.3	–
Profit before tax	**18.0**	**29.3**	**47.3**
Total assets	119.3	113.1	232.4
Total liabilities	63.4	18.2	81.6
Capital expenditure	17.9	2.6	20.5
Depreciation and amortisation	6.9	1.0	7.9
Net impact of lease incentives (income)	0.2	–	0.2
Underlying income tax expense	5.4	8.9	14.3
Non-underlying and exceptional income tax expense	–	2.9	2.9

16 Notes to the Group and Company Financial Statements

16.4 Segment information (continued)

The following additional information is considered useful to the reader.

	Reported 2011 £m	Impact of IFRS 3 on inventory acquired at date of acquisition £m	Impact of new accounting policy relating to prior periods £m	Exceptional items £m	Loss recognised on fair value of deferred consideration £m	Financial derivatives £m	Underlying[1] 2011 £m
Revenue							
Retail	147.4	–	–	–	–	–	147.4
Wholesale	90.5	–	–	–	–	–	90.5
Total revenue	**237.9**	**–**	**–**	**–**	**–**	**–**	**237.9**
Gross profit	132.8	1.9	(1.6)	–	–	–	133.1
Operating profit							
Retail	38.3	–	(1.4)	–	0.4	0.5	37.8
Wholesale	18.0	1.9	(0.2)	0.7	–	1.0	21.4
Total operating profit before Group overheads	**56.3**	**1.9**	**(1.6)**	**0.7**	**0.4**	**1.5**	**59.2**
Group overheads	(9.1)	–	–	–	–	–	(9.1)
Operating profit before royalties							
Retail	29.2	–	(1.4)	–	0.4	0.5	28.7
Wholesale	18.0	1.9	(0.2)	0.7	–	1.0	21.4
Total operating profit before royalties	**47.2**	**1.9**	**(1.6)**	**0.7**	**0.4**	**1.5**	**50.1**
Net finance income – Retail	0.1	–	–	–	–	–	0.1
Profit before tax before royalties	**47.3**	**1.9**	**(1.6)**	**0.7**	**0.4**	**1.5**	**50.2**
Retail	29.3	–	(1.4)	–	0.4	0.5	28.8
Wholesale	18.0	1.9	(0.2)	0.7	–	1.0	21.4

Revenues of £16.3m (2011: £17.6m) in the Retail segment are derived from concessions within department stores which are all under common ownership.

The Group has subsidiaries which are incorporated and resident in the UK and overseas. Revenue from external customers in the UK and the total revenue from external customers from other countries are:

		Group
	2012	2011
	£m	£m
External revenue – UK	213.9	179.5
External revenue – overseas	99.9	58.4
Total external revenue	**313.8**	**237.9**

Included within external revenue overseas is revenue of £48.0m (2011: £15.3m) generated by our overseas subsidiaries.

The total of non-current assets, other than deferred tax assets, located in the UK is £72.4m (2011: £35.3m), and the total of non-current assets located in other countries is £32.1m (2011: £32.7m).

16 Notes to the Group and Company Financial Statements

16.5 Balances and transactions with related parties

Directors' emoluments

Directors' remuneration is detailed in the Directors' Remuneration Report on pages 48 to 55, which forms part of these financial statements.

Transactions with directors

The Group occupies two properties owned by J M Dunkerton SIPP pension fund, whose beneficiary and member trustee is Julian Dunkerton. The properties are rented to the Group on an arm's length basis. The rent charge in the Group statement of comprehensive income is £0.1m (2011: £0.1m).

On 26 September 2011, the Group acquired the entire share capital of Tokyo Retail Limited, in which Julian Dunkerton's brother-in-law was a director and shareholder, for a total cash consideration of £0.5m. The fair value of the net assets acquired was £0.3m. Tokyo Retail Limited operates a Superdry outlet store in Kildare, Eire. The acquisition is not material and no further disclosures have been made.

Company transactions with subsidiaries

The company has made management charges and has intercompany receivable balances included within trade and other receivables as follows:

	Management charges		Intercompany receivable	
	2012	2011	Balance sheet 29 April 2012	Balance sheet 1 May 2011
	£m	£m	£m	£m
C-Retail Limited	5.6	3.8	8.1	6.7
DKH Retail Limited	3.2	2.7	6.4	6.0
SuperGroup Concessions Limited	0.7	0.6	0.7	0.7
SuperGroup Internet Limited	1.3	0.6	1.3	0.7
SuperGroup Retail Ireland Limited	0.1	0.1	0.1	0.1
SuperGroup Europe BVBA	0.2	–	0.2	0.7
Snow & Surf BVBA	0.1	–	0.1	–

16.6 Operating profit

Group operating profit is stated after charging/(crediting):

	Group	
	2012	2011
	£m	£m
Depreciation on tangible assets – owned	11.1	7.4
Amortisation of intangible assets	2.1	0.5
Operating lease rentals for leasehold properties	21.2	11.9
Net foreign exchange gains	(1.7)	(2.0)
Loss on disposal of property, plant and equipment	–	0.2
Exceptional items	–	0.7

16 Notes to the Group and Company Financial Statements

16.7 Selling, general and administrative expenses

	2012 £m	Group 2011 £m
Staff costs	49.9	30.8
Operating lease payments	21.2	11.9
Depreciation and amortisation	13.2	7.9
Other (including rates, service charges and professional fees)	46.2	35.7
Total selling, general and administrative expenses	**130.5**	**86.3**

The non-underlying and exceptional gain of £8.3m (2011: £1.1m loss) is explained in note 16.13.

16.8 Other gains and losses

	2012 £m	Group 2011 £m
Fair value gain/(loss) on foreign exchange forward contracts	0.3	(1.5)
Loss on disposal of property, plant and equipment	–	(0.2)
Other income	2.7	2.4
Total other gains and losses	**3.0**	**0.7**

The non-underlying and exceptional gain of £0.3m (2011: £1.5m loss) is explained in note 16.13.

16.9 Auditors' remuneration

During the period, the Group obtained the following services from the Group's auditors as detailed below:

	2012 £m	Group 2011 £m
Audit services		
Fees payable to the company's auditor for the audit of the company and the consolidated financial statements	0.1	0.1
Fees payable to the company's auditors and its associates for other services:		
The audit of the company's subsidiaries pursuant to legislation	0.1	0.1
Services relating to corporate finance transactions	–	0.3
Tax services	0.4	0.4
All other services	0.1	0.3
Total fees payable to the company's auditors and its associates for other services	**0.6**	**1.1**
Total auditors' remuneration	**0.7**	**1.2**

16 Notes to the Group and Company Financial Statements

16.10 Employee benefit expense

		Group
	2012	2011
	£m	£m
Wages and salaries	45.2	28.2
Social security costs	3.7	2.4
Share awards	0.7	0.2
Pension costs – defined contribution scheme	0.3	–
Total employee benefit expense	**49.9**	**30.8**

Details of the share based compensation plans are detailed under note 16.11.

The average monthly number of employees, including directors on a service contract, are as follows:

		Group
	2012	2011
	No.	No.
Administration	362	240
Warehouse	190	127
Retail	1,222	910
Total average headcount	**1,774**	**1,277**

		Company
	2012	2011
	No.	No.
Administration	51	35
Total average headcount	**51**	**35**

Directors' remuneration is detailed in the Directors' Remuneration Report on pages 48 to 55.

Remuneration of key members of management, who are the executive directors, head of e-commerce and head of european business development, recorded in the Group statement of comprehensive income is as follows:

		Group
	2012	2011
	£m	£m
Wages and salaries	1.8	1.7
Share awards	0.3	–
Total remuneration of key members of management	**2.1**	**1.7**

16 Notes to the Group and Company Financial Statements

16.11 Share based Long Term Incentive Plans ("LTIP")

Equity settled awards are granted to employees in the form of share awards. No consideration is payable by the employees when share awards vest. The vesting period is three years. Share awards will also expire if the employee leaves the Group prior to the exercise or vesting date subject to the discretionary powers of the remuneration committee.

Performance Share Plan

The award of shares is made under the SuperGroup Performance Share Plan ("PSP"). Shares have no value at grant date, but subject to the satisfaction of earnings per share, share price and total shareholder return performance targets can convert and give participants the right to be granted nil-cost shares at the end of the performance period.

The movement in the number of share awards outstanding is as follows:

	Group & Company	
	2012	2011
	No.	No.
At start of the period	84,938	–
Granted	130,659	84,938
Forfeited	(10,721)	–
Total number of outstanding share awards	**204,876**	**84,938**

None of the share awards were exercisable at the period end date (2011: nil).

The terms and conditions of the award of shares granted under the PSP during the year are as follows:

			Group & Company
Grant date	Type of award	Number of shares	Vesting period
27 July 2011	Share awards	130,659	3 years

The fair value of the shares awarded at the grant date during the year is £1.4m (2011: £1.1m). The total fair value of all outstanding share awards granted total is £2.5m, of which £0.7m (2011: £0.2m) has been recorded in the Group statement of comprehensive income during the year.

No further disclosures are considered necessary as the impact of the scheme is currently not material to the Group.

Save As You Earn

During the year a Save As You Earn scheme was introduced by the Group. No further disclosures are considered necessary as the impact of the scheme is currently not material to the Group.

16.12 Finance income

	Group	
	2012	2011
	£m	£m
Bank interest income	0.1	0.1
Total finance income	**0.1**	**0.1**

16 Notes to the Group and Company Financial Statements

16.13 Non-underlying and exceptional items

Non-underlying and exceptional items during the year are as follows:

		Group
	2012	2011
	£m	£m
Non-underlying cost of sales		
Impact of new inventory accounting policy relating to prior periods	–	1.6
Impact of IFRS 3 (revised) on inventory acquired at date of acquisition	–	(1.9)
Total non-underlying cost of sales	**–**	**(0.3)**
Non-underlying and exceptional selling, general and administrative expenses		
Fair value movement of deferred share consideration – non-underlying	8.3	(0.4)
Professional advisors' fees relating to the acquisition of SuperGroup Europe BVBA – exceptional item	–	(0.7)
Total non-underlying and exceptional selling, general and administrative expenses	**8.3**	**(1.1)**
Non-underlying other gains and losses (net)		
Gain/(loss) on financial derivatives (note 16.31)	0.3	(1.5)
Total non-underlying other gains and losses (net)	**0.3**	**(1.5)**
Non-underlying and exceptional income tax expense		
Tax impact of non-underlying items	0.1	0.5
Remeasurement of deferred tax asset – exceptional (note 16.14)	(3.2)	(3.4)
Total non-underlying and exceptional income tax expense	**(3.1)**	**(2.9)**
Total non-underlying and exceptional items	**5.5**	**(5.8)**

Impact of new inventory accounting policy relating to prior periods

Previously, certain non-reclaimable duty and freight costs were expensed as incurred by the Group on the basis that they were not considered to be material. In the prior period, the Group adopted a policy of including all non-reclaimable duty and freight costs incurred in getting inventories into the Group's distribution centres into the cost of inventory.

The impact of adopting this new policy was to increase the value of inventories by £3.5m as at 1 May 2011, of which £1.6m related to periods to 2 May 2010 and earlier.

Impact of IFRS 3 (revised) on inventory acquired at date of acquisition

The fair value adjustment to inventories acquired on the acquisition of SuperGroup Europe BVBA under IFRS 3 (revised), which values inventories at its sales price less costs to sell, increased the value of inventory in the prior period by £1.9m (2012: £nil). The directors have considered this to be a non-underlying adjustment to profit.

Fair value movement of deferred share consideration

The SuperGroup Europe BVBA acquisition in the prior year included two tranches of deferred contingent consideration to be issued on the second and third anniversaries of the acquisition. The consideration is payable in shares, and the shares will be issued in proportion to the percentage completion of certain sales and store number targets. The fair value of these shares at the acquisition date was £10.3m.

IFRS 3 (revised) requires deferred contingent consideration to be remeasured at each period end to reflect the estimated percentage completion of the targets and change in share price. By 1 May 2011, the fair value had increased by £0.4m, reflecting the year end share price of £15.86. At 29 April 2012 the share price was £3.50 and therefore the liability reduced by £8.3m and this has been recorded as a credit in the Group statement of comprehensive income.

16 Notes to the Group and Company Financial Statements

16.14 Income tax expense

The tax expense comprises:

		Group
	2012	2011
	£m	£m
Current tax		
– UK corporation tax charge for the period	8.7	11.7
– Adjustment in respect of prior periods	0.1	(0.4)
Overseas tax	0.8	0.8
Total current tax	**9.6**	**12.1**
Deferred tax		
– Origination and reversal of temporary differences	2.6	1.6
– Adjustment in respect of prior periods	(0.1)	0.1
Exceptional income tax expense	3.2	3.4
Total deferred tax	**5.7**	**5.1**
Total tax expense	**15.3**	**17.2**

The taxation charge on the underlying profit is £12.2m (2011: £14.3m). The taxation charge on non-underlying and exceptional items is £3.1m (2011: £2.9m).

Factors affecting the tax expense for the period are as follows:

		Group
	2012	2011
	£m	£m
Profit before tax	**51.4**	**47.3**
Profit multiplied by the standard rate in the UK – 25.83% (2011: 27.83%)	13.3	13.2
Expenses not deductible for tax purposes	0.4	0.6
Fair value movement of deferred share consideration	(2.2)	–
Non-qualifying additions	0.5	0.3
Prior year adjustment	0.1	(0.3)
Total income tax expense excluding exceptional items	**12.1**	**13.8**
Exceptional income tax expense	3.2	3.4
Total income tax expense including exceptional items	**15.3**	**17.2**

16 Notes to the Group and Company Financial Statements

16.14 Income tax expense (continued)

Net deferred tax movement is as follows:

		Group
	2012	2011
	£m	£m
Opening net deferred tax	(41.2)	(49.7)
Deferred tax liability on acquisition	–	3.2
Charged to the statement of comprehensive income		
– Accelerated capital allowances	(0.5)	(0.6)
– Movement on goodwill and intangibles	6.9	7.1
– Other temporary differences	(0.8)	(0.9)
– Revaluation of derivatives and forward exchange contracts	0.1	(0.3)
Closing net deferred tax (note 16.21)	**(35.5)**	**(41.2)**
Represented by:		
– Accelerated capital allowances	2.3	2.3
– Other intangibles	2.5	3.0
– Temporary differences (losses)	(0.6)	(0.5)
– Recognition of lease incentives	(1.9)	(1.2)
– Goodwill and other intangibles arising in subsidiary entities	(37.5)	(44.4)
– Revaluation of derivatives and forward exchange contracts to fair value	(0.3)	(0.4)
Closing net deferred tax (note 16.21)	**(35.5)**	**(41.2)**

In preparation for the listing of the business on the London Stock Exchange, a substantial reorganisation was undertaken with effect from 7 March 2010 and the Group's subsidiaries acquired net assets with a total fair value of £375m. Within this amount, £340m was identified as intangible assets and goodwill, of which the directors believe that £187m should be deductible against taxable profits over the useful economic lives of the respective assets. This gave rise to £52.4m of the exceptional deferred tax credit booked in 2010. Based on this the directors consider that the Group's future cash tax expense should be reduced by approximately £3.4m per annum using the corporation tax rate of 24%.

The Group's underlying tax expense of £12.2m represents an effective tax rate of 28.5% for the period ended 29 April 2012. The Group's underlying effective tax rate of 28.5% is higher than the statutory rate of 25.8%, primarily due to depreciation of non-qualifying assets and non-allowable expenses.

The UK corporation tax rate reduction from 26% to 24%, with effect from 1 April 2012 is substantially enacted at the balance sheet date so the deferred tax balances at 29 April 2012 have been remeasured resulting in an exceptional deferred tax charge of £3.2m.

Discussions with HMRC in respect of the tax deductible goodwill arising on the March 2010 reorganisation have significantly progressed. Written confirmation has been received from HMRC that they will not challenge the commercial nature of the transactions. The related deferred tax asset in respect of the goodwill therefore continues to be considered recoverable.

16 Notes to the Group and Company Financial Statements

16.15 Loss attributable to SuperGroup Plc

As permitted by Section 408 of the Companies Act 2006 the statement of comprehensive income of the company is not presented as part of the financial statements. The loss after tax for the 52 weeks ended 29 April 2012 was £40.0m (52 weeks ended 1 May 2011: loss of £0.1m). The directors have approved the statement of comprehensive income for the company.

16.16 Dividends

No dividends were paid in the year, and no dividends will be proposed at the Annual General Meeting on 20 September 2012 (2011: £nil).

16.17 Earnings per share

		Group
	2012	2011
	No.	No.
Number of shares at year end	80,234,588	80,234,588
Weighted average number of ordinary shares – basic	80,234,588	79,337,981
Effect of dilutive options and contingent shares	557,855	70,012
Weighted average number of ordinary shares – diluted	80,792,443	79,407,993
Earnings		
Profit for the period (£m)	36.1	30.1
Basic earnings per share (pence)	**45.0**	**37.9**
Diluted earnings per share (pence)	**44.7**	**37.9**

Underlying[1] basic earnings per share

		Group
	2012	2011
	No.	No.
Underlying[1] profit for the period (£m)	30.6	35.9
Weighted average number of ordinary shares – basic	80,234,588	79,337,981
Underlying[1] basic earnings per share (pence)	**38.1**	**45.2**
Weighted average number of ordinary shares – diluted	80,792,443	79,407,993
Underlying[1] diluted earnings per share (pence)	**37.9**	**45.2**

There were no share-related events after the balance sheet date that may affect earnings per share.

16 Notes to the Group and Company Financial Statements

16.18 Property, plant and equipment

Movements in the carrying amount of property, plant and equipment were as follows:

					Group
	Land and buildings	Leasehold improve-ments	Furniture, fixtures and fittings	Computer equipment	Total
	£m	£m	£m	£m	£m
52 weeks ended 29 April 2012					
Cost					
At 2 May 2011	0.3	44.9	6.7	3.2	55.1
Exchange differences	–	(0.2)	(0.1)	–	(0.3)
Additions	–	23.5	8.3	4.8	36.6
Disposals	–	(0.7)	–	–	(0.7)
At 29 April 2012	0.3	67.5	14.9	8.0	90.7
Accumulated depreciation					
At 2 May 2011	–	13.0	1.9	1.6	16.5
Disposals	–	(0.7)	–	–	(0.7)
Depreciation charge	–	7.5	2.0	1.6	11.1
At 29 April 2012	–	19.8	3.9	3.2	26.9
Net balance sheet amount at 29 April 2012	**0.3**	**47.7**	**11.0**	**4.8**	**63.8**

						Group
	Land and buildings	Leasehold improve-ments	Furniture, fixtures and fittings	Computer equipment	Motor vehicles	Total
	£m	£m	£m	£m	£m	£m
52 weeks ended 1 May 2011						
Cost						
At 3 May 2010	–	29.3	2.8	1.3	0.1	33.5
Exchange differences	–	0.2	–	–	–	0.2
Recognised on acquisition	–	2.8	0.1	0.1	–	3.0
Additions	0.3	13.8	3.9	1.8	–	19.8
Disposals	–	(1.2)	(0.1)	–	(0.1)	(1.4)
At 1 May 2011	0.3	44.9	6.7	3.2	–	55.1
Accumulated depreciation						
At 3 May 2010	–	8.5	0.9	0.7	0.1	10.2
Disposals	–	(0.9)	(0.1)	–	(0.1)	(1.1)
Depreciation charge	–	5.4	1.1	0.9	–	7.4
At 1 May 2011	–	13.0	1.9	1.6	–	16.5
Net balance sheet amount at 1 May 2011	**0.3**	**31.9**	**4.8**	**1.6**	**–**	**38.6**
Net balance sheet amount at 2 May 2010	**–**	**20.8**	**1.9**	**0.6**	**–**	**23.3**

16 Notes to the Group and Company Financial Statements

16.18 Property, plant and equipment (continued)

		Company
	Computer equipment	Total
	£m	£m
52 weeks ended 29 April 2012		
Cost		
At 2 May 2011	1.1	1.1
Additions	3.4	3.4
At 29 April 2012	4.5	4.5
Accumulated depreciation		
At 2 May 2011	0.2	0.2
Depreciation charge	0.9	0.9
At 29 April 2012	1.1	1.1
Net balance sheet amount at 29 April 2012	**3.4**	**3.4**

		Company
	Computer equipment	Total
	£m	£m
52 weeks ended 1 May 2011		
Cost		
At 3 May 2010	0.1	0.1
Additions	1.0	1.0
At 1 May 2011	1.1	1.1
Accumulated depreciation		
At 3 May 2010	–	–
Depreciation charge	0.2	0.2
At 1 May 2011	0.2	0.2
Net balance sheet amount at 1 May 2011	**0.9**	**0.9**
Net balance sheet amount at 2 May 2010	**0.1**	**0.1**

16 Notes to the Group and Company Financial Statements

16.19 Intangible assets

	Trademarks	Website and software	Lease premiums	Distribution agreements	Goodwill	Total
						Group
	£m	£m	£m	£m	£m	£m
52 weeks ended 29 April 2012						
Cost						
At 2 May 2011	1.3	0.8	–	8.9	19.2	30.2
Exchange differences	–	–	–	(0.7)	(1.5)	(2.2)
Additions	0.2	0.2	15.0	–	0.2	15.6
At 29 April 2012	1.5	1.0	15.0	8.2	17.9	43.6
Accumulated amortisation						
At 2 May 2011	0.3	0.2	–	0.3	–	0.8
Amortisation charge	0.1	0.2	0.5	1.3	–	2.1
At 29 April 2012	0.4	0.4	0.5	1.6	–	2.9
Net balance sheet amount at 29 April 2012	**1.1**	**0.6**	**14.5**	**6.6**	**17.9**	**40.7**

	Trademarks	Website and software	Distribution agreements	Goodwill	Total
					Group
	£m	£m	£m	£m	£m
52 weeks ended 1 May 2011					
Cost					
At 3 May 2010	1.0	0.4	–	–	1.4
Exchange differences	–	–	0.4	0.6	1.0
Recognised on acquisition	–	–	8.5	18.6	27.1
Additions	0.3	0.4	–	–	0.7
At 1 May 2011	1.3	0.8	8.9	19.2	30.2
Accumulated amortisation					
At 3 May 2010	0.2	0.1	–	–	0.3
Amortisation charge	0.1	0.1	0.3	–	0.5
At 1 May 2011	0.3	0.2	0.3	–	0.8
Net balance sheet amount at 1 May 2011	**1.0**	**0.6**	**8.6**	**19.2**	**29.4**
Net balance sheet amount at 2 May 2010	**0.8**	**0.3**	**–**	**–**	**1.1**

16 Notes to the Group and Company Financial Statements

16.19 Intangible assets (continued)

	Company	
	Website and software £m	Total £m
52 weeks ended 29 April 2012		
Cost		
At 2 May 2011	0.5	0.5
Additions	0.1	0.1
At 29 April 2012	0.6	0.6
Accumulated amortisation		
At 2 May 2011	0.1	0.1
Amortisation charge	0.1	0.1
At 29 April 2012	0.2	0.2
Net balance sheet amount at 29 April 2012	**0.4**	**0.4**

	Company	
	Website and software £m	Total £m
52 weeks ended 1 May 2011		
Cost		
At 3 May 2010	0.1	0.1
Additions	0.4	0.4
At 1 May 2011	0.5	0.5
Accumulated amortisation		
At 3 May 2010	–	–
Amortisation charge	0.1	0.1
At 1 May 2011	0.1	0.1
Net balance sheet amount at 1 May 2011	**0.4**	**0.4**
Net balance sheet amount at 2 May 2010	**0.1**	**0.1**

Impairment

An impairment test is a comparison of the carrying value of assets of a business or cash-generating unit (CGU) to their recoverable amount. Where the recoverable amount is less than the carrying value, an impairment results. During the year, the goodwill on the acquisition of SuperGroup Europe BVBA was tested for impairment, with no impairment charges resulting.

Goodwill attributable to SuperGroup Europe BVBA amounted to £17.7m (2011: £19.2m). Goodwill is deemed to be part of the Group function and is therefore included in the Retail segment.

The recoverable amounts in 2012 were measured based on value in use (2011: based on fair value less costs to sell given the proximity of year end to the acquisition date). Detailed forecasts for the next three years have been used which are based on approved annual budgets and strategic projections representing the best estimate of future performance.

Key assumptions

In determining the recoverable amount it is necessary to make a series of assumptions to estimate the present value of future cash flows. In each case, these key assumptions have been made by management reflecting past experience and are consistent with relevant external sources of information.

16 Notes to the Group and Company Financial Statements

16.19 Intangible assets (continued)

Pre-tax adjusted discount rates

Pre-tax adjusted discount rates are derived from risk free rates based upon long-term government bonds in the territories within which the CGU operates. A relative risk adjustment has been applied to risk free rates to reflect the risk inherent in the territories to which the cash flows arise. The pre-tax risk adjusted discount rate used for SuperGroup Europe of 11.6%, reflects the mix of geographical territories within which the CGU operates.

Operating cash flows

The main assumptions, which are derived from past experience and external information, within the forecast operating cash flows include the achievement of future sales prices, volumes, raw material input costs and the level of ongoing capital expenditure.

Long-term growth rates

To forecast beyond the three years, a long-term average growth rate has been used; this is not greater than the average long-term growth rate in each of the territories where the CGU is based. This results in an average growth rate for SuperGroup Europe of 2.6%.

Goodwill sensitivity analysis

The results of the Group's impairment tests are dependent on estimates and judgements made by management, particularly in relation to the key assumptions described above. A sensitivity analysis as to potential changes in key assumptions has therefore been performed.

The table below shows the assumptions used and the amount by which each assumption must change in isolation in order for the estimated recoverable amount to equal the carrying value. The directors do not consider this to be reasonably possible.

		Group
	Assumptions used	Change required
	%	% points
Pre-tax risk adjusted discount rate	11.6	+9.6
Long-term growth rate	2.6	-10.6

The discounted forecast operating cash flows were €114.1m and a percentage change of 61% in isolation would be required in order for the estimated recoverable amount to equal the carrying value.

16 Notes to the Group and Company Financial Statements

16.20 Investments

	Company	
	29 April 2012	1 May 2011
	£m	£m
Investments at beginning of period – cost and net book value	**400.0**	**375.0**
Additions in the period	–	25.0
Impairment in the period	(39.1)	–
Investments at end of period – net book value	**360.9**	**400.0**

The total cost of investments is £400.0m (2011: £400.0m).

The additions in the prior period relate to SuperGroup Belgium NV and SuperGroup Belgium Finance NV. SuperGroup Europe BVBA was acquired by SuperGroup Netherlands BV, a 100% owned subsidiary of SuperGroup Belgium NV.

The impairment in investment balances relates to £18.2m in C-Retail Limited, £16.2m in SuperGroup Concessions Limited and £4.7m in SuperGroup Retail Ireland Limited.

The impairment has resulted from the following factors:

- the purchase price paid for the subsidiaries of the Group, which contained the trade and assets of the former LLPs, prior to Initial Public Offering determined the cost of the investments. The purchase price was based on a cash flow model which used certain assumptions to estimate the future cash flows including overheads. The forecasts used in the current year impairment models reflect the actual central costs and the allocation of these costs between the companies. The directors note that whilst an impairment has arisen in some companies, there is additional headroom in others, notably DKH Retail Limited.

- the trading outlook for both SuperGroup Ireland and SuperGroup Concessions has deteriorated since IPO as a result of the economic climate in Ireland and the cannibalisation of concessions by the roll out of owned stores which has had a greater impact than anticipated.

16 Notes to the Group and Company Financial Statements

16.20 Investments (continued)

Principal subsidiaries

All of the subsidiaries have been included in the consolidated financial statements. A list of the subsidiaries held during the year is set out below:

Subsidiary	Principal activity	Country of incorporation	2012
			% shares
Basset BVBA	Clothing retailer in Belgium	Belgium	100
C-Retail Limited[4]	Clothing retailer in UK	UK	100
Cult Retail LLP	Dormant	UK	100
DKH Retail Limited[4]	Worldwide wholesale distribution	UK	100
Fragrances 55 Limited[3]	Holds fragrances licence	UK	100
Laundry Athletics LLP	Dormant	UK	100
Snow & Surf BVBA	Clothing retailer in Belgium	Belgium	100
SuperGroup Belgium NV[4]	Holds the investment in SuperGroup Netherlands BV	Belgium	100
SuperGroup Belgium Finance NV[4]	Provides finance to the Group	Belgium	100
SuperGroup Concessions Limited[4]	Clothing retailer in concessions	UK	100
SuperGroup Europe BVBA	Wholesale distribution in Benelux	Belgium	100
SuperGroup France SARL[1]	Clothing retailer in France	France	100
SuperGroup International Limited[4]	Contracting of overseas personnel	UK	100
SuperGroup Internet Limited[4]	Clothing retailer via the Internet	UK	100
SuperGroup Internet North America Limited[3]	Dormant	UK	100
SuperGroup Netherlands BV	Holds the investment in SuperGroup Europe BVBA	Netherlands	100
SuperGroup Netherlands Retail BV[2]	Clothing retailer in the Netherlands	Netherlands	100
SuperGroup Retail Ireland Limited[4]	Clothing retailer in the Republic of Ireland	ROI	100
SuperGroup Mumessillik Hizmet Limited Sirjketi[3, 4]	Manages supplier relationships in Turkey	Turkey	100
Tokyo Retail Limited	Clothing retailer in the Republic of Ireland	ROI	100

1 SuperGroup France SARL changed its name from CNC Collections France SARL.
2 SuperGroup Netherlands Retail BV changed its name from SD Retail Netherlands.
3 Incorporated in the year and not material.
4 Directly owned by the company.

The 50% owned joint ventures Clan, Horace and Theo which are all clothing retailers in France, are not included in the consolidated financial statements on the basis, they are individually and in aggregate wholly immaterial.

All shares held by the company are ordinary equity shares.

16 Notes to the Group and Company Financial Statements

16.21 Deferred income tax assets/(liability)

	Group		Company	
	2012	2011	2012	2011
	£m	£m	£m	£m
Asset				
Accelerated capital allowances	(2.3)	(2.3)	–	–
Temporary differences	0.6	0.5	0.1	–
Recognition of lease incentives	1.9	1.2	–	–
Goodwill and other intangibles arising in subsidiary entities	37.5	44.4	–	–
Revaluation of derivatives and forward exchange contracts to fair value	0.3	0.4	–	–
Total deferred tax assets	**38.0**	**44.2**	**0.1**	**–**
Liability				
Other intangibles	(2.5)	(3.0)	–	–
Total deferred tax liability	**(2.5)**	**(3.0)**	**–**	**–**
Total net deferred tax	**35.5**	**41.2**	**0.1**	**–**

Recognition of deferred tax assets is based upon the expected generation of future taxable profits.

There are no un-recognised deferred tax assets.

16.22 Inventories

	Group		Company	
	2012	2011	2012	2011
	£m	£m	£m	£m
Finished goods	55.5	52.3	–	–
Net inventories	**55.5**	**52.3**	**–**	**–**

The cost of inventories recognised as an expense and included in cost of sales amounted to £129.9m (2011: £89.4m).

Inventory write-downs for each period are as follows:

	Group		Company	
	2012	2011	2012	2011
	£m	£m	£m	£m
At start of period	1.0	0.7	–	–
Write-downs	0.5	1.1	–	–
Utilised in period	–	–	–	–
Unused amounts reversed	(0.7)	(0.8)	–	–
Closing provision	**0.8**	**1.0**	**–**	**–**

16 Notes to the Group and Company Financial Statements

16.23 Trade and other receivables

	Group		Company	
	2012	2011	2012	2011
	£m	£m	£m	£m
Trade receivables	24.0	23.2	–	–
Less: provision for impairment of trade receivables	(0.5)	(1.0)	–	–
Net trade receivables	**23.5**	**22.2**	**–**	**–**
Other amounts due from related parties	–	–	16.9	14.9
Taxation and social security	–	–	1.0	–
Other receivables	3.3	2.4	0.1	0.7
Prepayments	15.8	11.1	0.6	0.4
Total trade and other receivables	**42.6**	**35.7**	**18.6**	**16.0**

Other receivables for the Group include £1.6m (2011: £0.7m) of cash contributions receivable from landlords.

Prepayments for the Group include £12.0m (2011: £7.7m) of prepaid rent and rates.

The other classes within trade and other receivables do not contain impaired assets.

The fair values of trade and other receivables are equal to their book value.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. Trade and other receivables are not provided as security.

The Group's trade receivables are summarised as follows:

	Group		Company	
	2012	2011	2012	2011
	£m	£m	£m	£m
Not past due or impaired	15.3	8.6	–	–
Past due but not impaired	7.4	12.4	–	–
Impaired	1.3	2.2	–	–
Total trade receivables	**24.0**	**23.2**	**–**	**–**

The credit quality of trade receivables that are neither past due nor impaired are all assessed to be fully recoverable (2011: fully recoverable). Our internal credit rating system is based upon historical information about counterparty default risks. The analysis of these trade receivables by reference to external credit ratings are not available. £8.0m out of the £15.3m trade receivables not past due nor impaired relate to 16 well-established key accounts (2011: £4.9m out of the £8.6m relate to 10 well-established key accounts) that the Group has traded with for at least one year. The remaining £7.3m (2011: £3.7m) consist of many individual balances, each below £0.2m. The Group will continue to monitor receivables as customer relationships become more established.

16 Notes to the Group and Company Financial Statements

16.23 Trade and other receivables (continued)

The Group's trade receivables past due but not impaired are as follows:

	Group		Company	
	2012	2011	2012	2011
	£m	£m	£m	£m
Overdue 1 – 30 days	3.8	6.8	–	–
Overdue 31 – 60 days	2.0	4.0	–	–
Overdue 60 days +	1.6	1.6	–	–
Total trade receivables past due but not impaired	**7.4**	**12.4**	**–**	**–**

Movements on the Group provision for impairment of trade receivables are as follows:

	Group		Company	
	2012	2011	2012	2011
	£m	£m	£m	£m
At start of period	1.0	1.0	–	–
Provision for receivables impairment	0.2	0.1	–	–
Receivables written off during the year as uncollectable	(0.3)	(0.1)	–	–
Unused amounts reversed	(0.4)	–	–	–
At end of period	**0.5**	**1.0**	**–**	**–**

Trade receivables of £1.3m (2011: £2.2m) were partially impaired and a provision of £0.5m (2011: £1.0m) has been recognised against the impaired trade receivables.

The Group's impaired trade receivables are as follows:

	Group		Company	
	2012	2011	2012	2011
	£m	£m	£m	£m
Current	0.1	0.2	–	–
Overdue 1 – 30 days	0.1	0.9	–	–
Overdue 31 – 60 days	–	0.5	–	–
Overdue 60 days +	1.1	0.6	–	–
Total trade receivables impaired	**1.3**	**2.2**	**–**	**–**

The individually impaired receivables relate wholly to the Wholesale segment. The other classes within trade and other receivables, for the Group and company, do not contain impaired assets.

16 Notes to the Group and Company Financial Statements

16.24 Cash and cash equivalents

	Group		Company	
	2012	2011	2012	2011
	£m	£m	£m	£m
Cash at bank and in hand	30.9	32.2	2.0	5.7
Total cash and cash equivalents	**30.9**	**32.2**	**2.0**	**5.7**
Less: overdraft (note 16.25)	–	–	(14.0)	(12.9)
Total cash and cash equivalents net of overdraft	**30.9**	**32.2**	**(12.0)**	**(7.2)**

Cash and cash equivalents comprise cash at bank with major UK and European clearing banks and earn floating rates of interest based upon bank base rates. On 26 January 2012, the Group renewed the balance offset agreement with HSBC on the UK Sterling, Euro and US Dollar accounts. At 29 April 2012, the Group had £19.6m (2011: £21.2m) deposited with HSBC Bank Plc and £6.1m (2011: £5.7m) deposited with Barclays Bank Plc. The remainder of the cash is deposited in other bank accounts. The Moody's credit rating as at 10 July 2012 for HSBC Bank Plc is Aa3 (down from Aa2) and Barclays Bank Plc is A2 negative (down from Aa3).

The maximum exposure to credit risk at the reporting date is the carrying value of cash mentioned above.

The Group had no secured liabilities (bank and collateralised borrowings) as at 29 April 2012 (1 May 2011: £nil).

16.25 Borrowings

	Group		Company	
	2012	2011	2012	2011
	£m	£m	£m	£m
Non-current				
Other loans	0.4	0.9	–	–
Total non-current borrowings	**0.4**	**0.9**	**–**	**–**
Current				
Bank overdraft	–	–	14.0	12.9
Other loans	0.2	–	–	–
Total current borrowings	**0.2**	**–**	**14.0**	**12.9**
Total borrowings	**0.6**	**0.9**	**14.0**	**12.9**

The Group had no secured liabilities (bank and collateralised borrowings) as at 29 April 2012 (1 May 2011: £nil).

The bank overdraft for the company is included within the balance offset agreement with HSBC. Interest is not paid on the overdraft when it can be fully offset against cash balances held within the Group.

The Group's borrowings mature as follows:

	Group		Company	
	2012	2011	2012	2011
	£m	£m	£m	£m
Within 1 year	0.2	–	14.0	12.9
Between 2 and 5 years	0.4	0.9	–	–
Total borrowings	**0.6**	**0.9**	**14.0**	**12.9**

16 Notes to the Group and Company Financial Statements

16.25 Borrowings (continued)

The exposure of the Group's borrowings to interest rate changes and the contractual re-pricing dates at the end of the reporting period are as follows:

	Group		Company	
	2012	2011	2012	2011
	£m	£m	£m	£m
6 – 12 months	–	–	14.0	12.9
1 – 5 years	0.6	0.9	–	–
Total borrowings	**0.6**	**0.9**	**14.0**	**12.9**

The Group has not drawn down any of its borrowing facilities as at 29 April 2012.

On 12 July 2011 the Group secured a £10m committed revolving credit facility and a £20m uncommitted multi-option facility with Barclays Bank Plc. The facility expires on 12 January 2013 at which point the Group has determined it will have adequate cash reserves and a facility is no longer deemed necessary. The facility was not utilised at 29 April 2012.

The Group was compliant with all banking covenants during the year.

Group	Floating interest rates		Fixed interest rates
	UK Sterling	**Euro/Dollar**	**Euro**
As at 29 April 2012			
Other loans	–	–	2.7% – 4.4%
As at 1 May 2011			
Other loans	–	–	2.7% – 4.4%

	Carrying amounts as at				Fair value as at			
	Group		Company		Group		Company	
	2012	2011	2012	2011	2012	2011	2012	2011
	£m	£m	£m	£m	£m	£m	£m	£m
Bank overdraft	–	–	14.0	12.9	–	–	14.0	12.9
Other loans	0.6	0.9	–	–	0.6	0.9	–	–
Total borrowings	**0.6**	**0.9**	**14.0**	**12.9**	**0.6**	**0.9**	**14.0**	**12.9**

The fair value of current borrowings approximates to their carrying amount, as the impact of discounting is not significant. The fair values of current and non-current borrowings are determined using discounted cash flows at the interest rate prevailing at the balance sheet date.

16 Notes to the Group and Company Financial Statements

16.26 Trade and other payables

	Group		Company	
	2012	2011	2012	2011
	£m	£m	£m	£m
Non-current				
Deferred cash contributions and rent-free periods	29.3	23.8	–	–
Deferred contingent consideration	1.5	10.7	–	–
Total non-current trade and other payables	**30.8**	**34.5**	**–**	**–**
Current				
Trade payables	36.2	24.5	–	0.6
Taxation and social security	1.5	2.3	–	0.1
Corporation tax payable	4.4	7.1	–	–
Other payables	0.3	0.5	0.8	0.2
Accruals and deferred income	4.6	3.7	1.0	0.5
Deferred cash contributions and rent-free periods	4.0	3.1	–	–
Deferred contingent consideration	0.8	–	–	–
Total current trade and other payables	**51.8**	**41.2**	**1.8**	**1.4**
Total trade and other payables	**82.6**	**75.7**	**1.8**	**1.4**

The maturity analysis of non-current deferred cash contributions and rent-free periods is as follows:

	Group	
	2012	2011
	£m	£m
Due within 1 – 2 years	4.0	3.1
Due within 2 – 5 years	12.0	9.1
Due greater than 5 years	13.3	11.6
Non-current deferred cash contributions and rent-free periods	**29.3**	**23.8**

The maturity analysis of non-current deferred contingent consideration is as follows:

	Group	
	2012	2011
	£m	£m
Due within 1 – 2 years	1.5	3.5
Due within 2 – 5 years	–	7.2
Non-current deferred contingent consideration	**1.5**	**10.7**

Laundry Athletics LLP, which transferred its trade to DKH Retail Limited, is currently involved in a dispute between two of its manufacturers in Turkey over the use of an export company (Gisad Dis Ticaret ("Gisad")). The manufacturers had used Gisad to reclaim Turkish VAT on its behalf. Gisad has a €100m loan facility with Morgan Stanley International (Morgan Stanley) with an Export Receivables Assignment Agreement as security. This loan was called in during January 2009. The Group has retained a liability for the disputed sums. The total in dispute is £1.9m which has been withheld and remains as a liability within trade payables in the Group balance sheet.

16 Notes to the Group and Company Financial Statements

16.27 Provision for other liabilities and charges

	Group		Company	
	2012	2011	2012	2011
	£m	£m	£m	£m
Dilapidations provision at the start of the period	0.5	0.8	–	–
Charge in period	0.2	0.5	–	–
Utilised in period	(0.1)	(0.4)	–	–
Unused amounts reversed	–	(0.4)	–	–
Dilapidations provision at the end of the period	**0.6**	**0.5**	**–**	**–**

Dilapidations provisions will be released upon the exit or expiry of a property lease which is expected to be between 2012 and 2027.

16.28 Contingencies and commitments

Capital expenditure commitments

	Group		Company	
	2012	2011	2012	2011
	£m	£m	£m	£m
Property, plant and equipment	0.9	1.2	–	–
Total capital expenditure commitments	**0.9**	**1.2**	**–**	**–**

The Group believes that future cash flows and funding will be sufficient to cover these commitments.

Contingent liability

The company is party to an unlimited cross guarantee over all liabilities of the Group.

16.29 Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Land and buildings			
	Group		Company	
	2012	2011	2012	2011
	£m	£m	£m	£m
Due within 1 year	28.2	20.1	–	–
Due in more than 1 year, but no more than 5 years	110.8	77.0	–	–
Due in more than 5 years	111.8	75.2	–	–
Total operating lease commitments	**250.8**	**172.3**	**–**	**–**

16 Notes to the Group and Company Financial Statements

16.29 Operating lease commitments (continued)

				Other
		Group		Company
	2012	2011	2012	2011
	£m	£m	£m	£m
Due within one year	–	0.1	–	–
Total operating lease commitments	**–**	**0.1**	**–**	**–**

16.30 Net cash/(debt)

Analysis of net cash/(debt)

				Group
	2011	Cash flow	Non-cash changes	2012
	£m	£m	£m	£m
Cash and short-term deposits	32.2	(1.0)	(0.3)	30.9
Cash and cash equivalents net of overdraft	**32.2**	**(1.0)**	**(0.3)**	**30.9**
Other loans	(0.9)	0.3	–	(0.6)
Total net cash	**31.3**	**(0.7)**	**(0.3)**	**30.3**

				Company
	2011	Cash flow	Non-cash changes	2012
	£m	£m	£m	£m
Cash and short-term deposits	5.7	(3.7)	–	2.0
Overdrafts	(12.9)	(1.1)	–	(14.0)
Total net debt	**(7.2)**	**(4.8)**	**–**	**(12.0)**

Non-cash changes relates to exchange losses on cash and cash equivalents.

16.31 Financial risk management

The company and Group's activities expose it to a variety of financial risks including: market risk (including foreign currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain foreign exchange exposures.

Credit risk

Credit risk is managed on a Group basis except for credit risk relating to accounts receivable balances which each entity is responsible for managing. Credit risk arises from cash and cash equivalents, as well as credit exposures to Wholesale and to a lesser extent Retail customers, including outstanding receivables and committed transactions. For Wholesale customers, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. For those sales considered higher risk, the Group operates a policy of cash in advance of sale. Sales to Retail customers are settled in cash, major credit cards or by Paypal. The Group regularly monitors its exposure to bad debts in order to minimise exposure. Credit risk from cash and cash equivalents is managed via banking with well-established banks with a strong credit rating.

16 Notes to the Group and Company Financial Statements

16.31 Financial risk management (continued)

Foreign currency risk

The Group's foreign currency exposure arises from:

- transactions (sales/purchases) denominated in foreign currencies;
- monetary items (mainly cash receivables and borrowings) denominated in foreign currencies; and
- Investments in foreign operations, whose net assets are exposed to foreign currency translation.

The Group is mainly exposed to US Dollar and Euro currency risks. The exposure to foreign exchange risk within each company is monitored and managed at a Group level. The Group's policy is to hedge a portion of foreign exchange risk associated with forecast overseas transactions, and transactions and monetary items denominated in foreign currencies.

The Group's policy is to hedge the risk of changes in the relevant spot exchange rate. The Group uses forward contracts to hedge foreign exchange risk. As at 29 April 2012 and 1 May 2011, the Group had entered into a number of foreign exchange forward contracts to hedge part of the aforementioned translation risk. Any remaining amount remains unhedged.

Forward exchange contracts have not been formally designated as hedges and consequently no hedge accounting has been applied. Forward exchange contracts are valued at fair value.

Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through purchases denominated in the relevant foreign currency.

At 29 April 2012 if the currency had weakened/strengthened by 10% against both the US Dollar and Euro with all other variables held constant, profit for the period would have been £1.6m (2011: £0.7m) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US Dollar/Euro trade receivables, cash and cash equivalents, and trade payables.

The Group's foreign currency exposure is as follows:

				Group
		2012		2011
	US Dollar	Euro	US Dollar	Euro
	£m	£m	£m	£m
Financial assets				
Trade receivables	–	2.0	–	3.3
Cash and cash equivalents	8.6	9.0	5.1	0.6
Assets	**8.6**	**11.0**	**5.1**	**3.9**
Financial liabilities				
Trade payables	(2.1)	(2.9)	(1.2)	(0.8)
Liabilities	**(2.1)**	**(2.9)**	**(1.2)**	**(0.8)**
Net exposure	**6.5**	**8.1**	**3.9**	**3.1**

The US Dollar and Euro overdrafts form part of an offset arrangement and as such each currency is netted off against other cash balances in the same currency and is not recognised as an overdraft in its own right.

Cash flow interest rate risk

The Group has financial assets and liabilities which are exposed to changes in market interest rates. Changes in interest rates impact primarily on deposits, loans and borrowings by changing their future cash flows (variable rate). Management does not currently have a formal policy of determining how much of the Group's exposure should be at fixed or variable rates and the Group does not use hedging instruments to minimise its exposure. However, at the time of taking new loans or borrowings management uses its judgement to determine whether it believes that a fixed or variable rate would be more favourable for the Group over the expected period until maturity. Sensitivity analysis has not been provided due to the low level of loans and borrowings within the Group. The Group's significant interest-bearing assets and liabilities are disclosed in notes 16.24 to 16.26.

16 Notes to the Group and Company Financial Statements

16.31 Financial risk management (continued)

Liquidity risk

Cash flow forecasting is performed on a Group basis by the monitoring of rolling forecasts of the Group's liquidity requirements to ensure that it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities. The maturity profile of the Group's liabilities is analysed in notes 16.25 and 16.26.

Valuation hierarchy

The table below shows the financial instruments carried at fair value by valuation method:

						Group
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
			2012			2011
	£m	£m	£m	£m	£m	£m
Liabilities						
Derivative financial instruments						
– forward foreign exchange contracts	–	1.2	–	–	1.5	–

The level 2 forward foreign exchange valuations are derived from HSBC models and are based on valuation techniques based on observable market data as at the close of business on 29 April 2012.

Fair value gains of £0.3m (2011: loss of £1.5m) relating to the forward foreign exchange contracts have been recognised in other income.

The notional principal amount of the outstanding forward foreign exchange contracts at 29 April 2012 was £48.3m (2011: £37.4m).

Derivative financial instruments

The table below analyses the Group's and company's derivative financial instruments which will be settled on a gross basis. The amounts disclosed in the table are the contractual undiscounted cash flows.

		Group		Company
	2012	2011	2012	2011
	£m	£m	£m	£m
Forward foreign exchange contracts				
– held for trading				
Outflow	(48.3)	(21.5)	–	–
Inflow	–	15.9	–	–
Net derivative exposure	**(48.3)**	**(5.6)**	**–**	**–**

All cash flows will occur in less than one year.

All derivative financial instruments are carried at fair value as assets when the fair value is positive and as liabilities when the fair value is negative.

16 Notes to the Group and Company Financial Statements

16.31 Financial risk management (continued)

The table below analyses the Group's and company's derivative financial instruments. The amounts disclosed in the table are the carrying balances of the liabilities as at the balance sheet date.

	Group		Company	
	2012	2011	2012	2011
	£m	£m	£m	£m
Derivative financial liabilities				
Forward foreign exchange contracts	1.2	1.5	–	–
Total derivative financial liabilities	**1.2**	**1.5**	**–**	**–**

All financial derivative instruments are due in less than one year.

Trading derivatives are classified as a current asset or liability. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability, if the maturity of the hedged item is less than 12 months.

Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders, and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital employed. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital employed is calculated as 'equity' as shown in the consolidated balance sheet plus net debt. The Group is in a net cash position at 29 April 2012.

The Directors have concluded that the company is best served by retaining current cash reserves to support growth. Consequentially, a recommendation will be made to the AGM that no dividend is payable for 2012 (2011: £nil).

Financial instruments by category

		Group
	Loans and receivables 2012	Loans and receivables 2011
	£m	£m
Trade and other receivables excluding prepayments	26.8	24.6
Cash and cash equivalents	30.9	32.2
Financial instruments - assets	**57.7**	**56.8**

16 Notes to the Group and Company Financial Statements

16.31 Financial risk management (continued)

						Group
	Liabilities at fair value through the profit and loss 2012	Other financial liabilities at amortised cost 2012	Total 2012	Liabilities at fair value through the profit and loss 2011	Other financial liabilities at amortised cost 2011	Total 2011
	£m	£m	£m	£m	£m	£m
Borrowings	–	0.6	0.6	–	0.9	0.9
Derivative financial instruments	1.2	–	1.2	1.5	–	1.5
Trade and other payable excluding non-financial liabilities	–	76.7	76.7	–	66.3	66.3
Financial instruments – liabilities	**1.2**	**77.3**	**78.5**	**1.5**	**67.2**	**68.7**

		Company
	Loans and receivables 2012	Loans and receivables 2011
	£m	£m
Trade and other receivables excluding prepayments	16.4	15.6
Cash and cash equivalents	2.0	5.7
Financial instruments – assets	**18.4**	**21.3**

16.32 Share capital

Allotted and fully paid 5p shares

Group	Number of shares	Value of shares (£m)
1 May 2011	80,234,588	4.0
29 April 2012	80,234,588	4.0

Company	Number of shares	Value of shares (£m)
1 May 2011	80,234,588	4.0
29 April 2012	80,234,588	4.0

The company did not issue any shares during the year (2011: 1,234,568 ordinary shares of 5p were issued at a fair value of £18.5m).

17 Shareholder Information

Company website

A full copy of this Annual Report and other information required by section 311A of the Companies Act 2006 can be found on the SuperGroup Plc website at www.supergroup.co.uk.

Annual General Meeting

The Annual General Meeting will be held at 11.30 am on Thursday 20 September 2012 at The Cheltenham Ladies' College, Bayshill Road, Cheltenham, Gloucestershire, GL50 3EP. The notice of the meeting is available on our website, and sets out the business to be transacted.

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