SuperGroup Plc

annual report 2010

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AUTHORISED SUPPLIER
SUPER FORMULA

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1.0 Chairman's Overview

1.1 Chairman's Overview

Welcome to SuperGroup's first annual report and, to those of you who are shareholders, welcome to our company.

This has been a momentous year for SuperGroup, with the admission to the London Stock Exchange in March 2010 being the major highlight. In a difficult and uncertain economic environment we raised £125 million, with both the institutional and retail offers being oversubscribed. In the two months since listing, we have delivered the promised profit performance and the value of our shares has risen significantly. On 21 June 2010 SuperGroup became a FTSE 250 company.

Our Business

The strategy of the Group is to grow in the UK and internationally by focusing on the youth fashion market with affordable, premium quality clothing and accessories for both men and women. Our Retail Division operates owned outlets in the UK and Ireland and a developing internet offering, while the Wholesale Division sells to a growing number of distribution partners across the world. The core to our offering is Superdry branded clothing, designed by our in-house team and produced by a limited number of suppliers, known for their expertise in our product categories and who are able to meet our exacting standards and timescales.

The financial results in this report reflect the remarkable strength of the Superdry brand and the growth in scale and profile of the Group. The UK store portfolio has grown significantly and we have broken new ground internationally, with Superdry now being sold in 36 countries. Since listing we have signed a franchise agreement to open 13 stores across the United Arab Emirates. We have built on our brand presence with a much expanded and improved product range, widening our womenswear range and further developing our accessories offer. These efforts have been recognised by a number of major industry sector awards.

Our Board

SuperGroup has been created by a highly talented team of Executive Directors, led by Julian Dunkerton, who have a deep understanding of youth fashion, exceptional design ability, strong commercial and retailing instincts, complemented by tremendous energy and enthusiasm. We have appointed four Non-executive Directors who bring a wealth of varied experience to the table, particularly with respect to managing growth, international operations and the role of the Board in a public company. The latest appointment to the Board since flotation is Ken McCall, Chief Executive Officer of DHL Express, UK & Ireland, who has strong logistics and supply chain management expertise as well as extensive experience of living and working in Asia.

We have begun to work together successfully and are adding value. As Chairman, I am seeking to build on the established values of the Group by developing a Board where there is customer and commercial emphasis matched by open and challenging debate. We will particularly focus on putting in place the infrastructure,

1.0 Chairman's Overview

1.1 Chairman's Overview (continued)

disciplines and governance to ensure a successful transition from an entrepreneurial business to an international company of significant scale. One of my principal objectives is to ensure that the Board fulfils its obligations to shareholders and stakeholders without stifling the Group's creative and entrepreneurial spirit.

Our First AGM

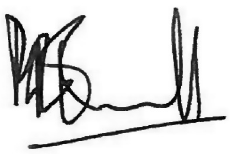
The rapid growth of SuperGroup means that it will have to attract new people at all levels to manage its expanding operations. At the first Annual General Meeting in September 2010 we will put forward a proposal for a long term incentive plan. Its purpose is to incentivise existing employees, aligning them with the strategic goals of the business while attracting talented new people.

Given the short period since flotation, where a net £16.4 million of additional funding was raised for working capital purposes, the Board considers that cash reserves are best left in the business to support growth. The Board is therefore recommending that no dividend is declared for 2010.

Our Future

The future is an exciting one but it will also be challenging. While we are not immune to the current difficulties affecting the global economy, we have a distinctive and powerful brand with products that are in demand both domestically and internationally. We are confident that we have a highly skilled team and will continue to build our infrastructure to ensure the delivery of our strategy and enhanced value for shareholders.

Peter Bamford
Chairman
29 July 2010

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2.0 Chief Executive's Review of the Year

2.1 Chief Executive's Review of the Year

Introduction

We are delighted to report that SuperGroup has had a very good year, delivering a substantial increase in profit and cash inflow set against a difficult economic and trading backdrop. These results are a first and significant step in the development of a business that listed successfully on the London Stock Exchange in March 2010.

Total Group revenue of £139.4m was up £63.3m, an increase of 83.1% on the previous year, while profit before tax (before exceptional items and financial derivatives) increased to £26.5m, up £18.6m on the previous year and ahead of the profit forecast included in the prospectus by £0.8m. This demonstrates the rapid expansion of the business and an increasing awareness of the Superdry brand. Overall profit margins improved in the second half, at both gross and operating levels, primarily reflecting supply chain efficiencies in the Wholesale Division.

Operating margins before exceptional items and derivatives grew as a percentage of revenue from 10.8% in 2009 to 19.1% in 2010, while operating margins as a percentage of revenue grew from 10.4% in 2009 to 16.2% in 2010. Profit before tax of £22.5m increased by £14.9m over the previous year (2009: £7.6m).

The Group has proved itself to be a highly profitable and cash generative business operating in the competitive youth branded fashion clothing sector. We create premium quality clothing and accessories for both men and women at an accessible price point and continually add new product categories, appealing to a wider demographic. We are committed to growing our UK retail market and are fast becoming a global brand with a rapidly expanding international wholesale and franchise business. The internet offers us significant further opportunities for future growth.

Our Strategy

We target the youth fashion market with affordable, premium quality clothing and accessories for both men and women. Our focus has been on customers primarily in the 15 to 25 age bracket, but Superdry is increasingly appealing to a much broader group.

Over the coming year we will continue to implement our growth strategy focused on:

- continuing the roll-out of standalone stores in the UK at a rate of approximately 20 per year;
- extending the product range from 1,000 pieces in Spring / Summer 2009 to over 2,000 in Autumn / Winter 2010 mainly through further developing underwear and womenswear;

2.0 Chief Executive's Review of the Year

2.1 Chief Executive's Review of the Year (continued)

- expanding the Wholesale Division both in the UK and internationally, with particular emphasis on franchise operations in the Far East, Middle East and South Africa;
- developing the online offering, particularly targeting overseas customers and launching a new website with multi-language and multi-currency options internationally;
- undertaking further licensing of the Superdry brand for new product areas; and
- developing the Group's embryonic brands.

Retail

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

This division of the Group delivered £86.4m of revenue, an increase of 76.8% on the previous year (2009: £48.9m). Profit before tax and finance charges (operating profit) was £12.0m (2009: £4.7m) and operating margins improved from 9.7% to 13.9%.

Operating profit before exceptional items and financial derivatives was £15.9m against £4.7m in the previous year and operating margins before exceptional items and financial derivatives improved by 8.7 percentage points to 18.4% (2009: 9.7%). Profit before tax was £11.9m (2009: £4.5m).

This performance has been driven by our roll-out programme that has seen new Cult and Superdry stores open in a number of key locations, from Cardiff's St David's Centre to Union Square, Aberdeen, Meadowhall in Sheffield, Milton Keynes and Dublin.

In total, 20 stores opened during the year compared with seven in 2009, adding 93,000 sq ft of selling space. We now trade from 42 stores and 212,000 sq ft of selling space.

The Group also has four outlet stores which provide an appropriate channel to sell end of season lines from both the Retail and Wholesale Divisions.

During the year a new retail shop-fit design was developed. This has supported improving revenue densities and profitability which, in turn, have improved cash generation across the Group. During the coming months we plan to incorporate elements of this new concept within existing stores by way of minor refits; it will be part of new store design as a matter of course.

2.0 Chief Executive's Review of the Year

2.1 Chief Executive's Review of the Year (continued)

The Group is fortunate that it will add retail space at a time when the retail property market is flat. The Board is taking full advantage of this opportunity and is able to find new prime sites while at the same time being able to access landlords' incentives.

Our concessions have increased to 56 within which Superdry is performing strongly. Two womenswear concessions were added before the year-end and plans are in place to add a further 10 womenswear concessions before Christmas 2010, alongside the best performing menswear locations, to drive revenue growth into 2011 and beyond.

Like-for-like revenues grew 17% for the year despite the economic situation. However, at this stage of our development, like-for-like revenues are not seen as a key measure since they relate to stores that have been open for longer than 12 months, including internet and concessions. The majority of our store portfolio opened recently and consequently the number of stores in the like-for-like calculation is small. Some of the older stores need relocating to reflect and optimise the growing strength of our brand, and we expect increased revenues as a result of store refits.

The Internet offering progressed during the year, following the launch of a new website, and now represents 4.4% of total revenues. The recent appointment of a Head of e-Commerce will help drive this route to market. We deliver to approximately 70 countries worldwide, compared with 58 at the time of the flotation, emphasising the increasing levels of brand awareness outside the UK.

We continue to deliver on our plans to expand the womenswear range which today represents 34.4% of total retail revenues, an increase of 2.4 percentage points since last year. We believe that increasing participation within the range represents a major opportunity for the business.

Wholesale

The Wholesale Division sells to a growing number of distributors, franchisees, licensees and independent retailers (some via agents) throughout the UK and the rest of the world. Revenue of £53.0m was delivered in the year to 2 May 2010, an increase of 94.4% on the previous year (2009: £27.3m). Operating profit was £10.6m against £3.2m for the previous year and operating margins improved by 8.5 percentage points from 11.6% to 20.1%.

Operating profit before exceptional items and financial derivatives was £10.8m, against £3.5m for the previous year, and operating margins before exceptional items and financial derivatives improved by 7.5 percentage points, from

2.0 Chief Executive's Review of the Year

2.1 Chief Executive's Review of the Year (continued)

12.8% to 20.3%, due to the low operational gearing of this division. Profit before tax was £10.6m (2009: £3.1m).

This was driven by continued organic growth of key UK and European accounts, along with the securing of distribution partners in new territories, underpinning our belief in the strength of Superdry as a global brand. Including new customers, key accounts (UK and Europe) represented 77.2% of Wholesale revenues, of which the largest customer represented 14.3%. Overseas, Superdry is now sold in 36 countries and represents 49.0% of total Wholesale revenues compared with 33.7% in 2009.

In addition to the strength of the brand, the significant success delivered by Wholesale during the year rests partly upon the creation of franchise and licence agreements with a number of partners to create 39 stores in 14 countries at the end of the financial year, of which 14 have opened since flotation. We believe this model provides a low risk investment route to market.

Since the year end we have announced a franchise agreement in the United Arab Emirates to open 13 stores across the region, with the first Superdry store in the Middle East expected to open in Dubai in September 2010.

Strong Supplier Relationships

The business is built around the Superdry range of clothing. Our products are designed entirely in-house and manufactured in a number of overseas factories known for their expertise and specialism in particular product categories.

The relationships with our suppliers have been forged over several years and are critical to offering our customers the very best in affordable and quality clothing. We believe the emphasis we have placed on working collaboratively with our suppliers gives us a competitive advantage.

Strengthening our Support Infrastructure

All aspects of the business are being strengthened to deliver our strategy. We employ experienced and well trained managers, supported by committed teams who are focused on delivering growth. Our head office team is growing and will continue to do so as we build the necessary skills to support and drive the next stage of business development.

We are enhancing every aspect of our infrastructure to enable the business to deliver our forecast growth and store roll-out programme. The UK Distribution Centre became operational during the year, enabling

2.0 Chief Executive's Review of the Year

2.1 Chief Executive's Review of the Year (continued)

faster store replenishment. Greater efficiency will be delivered from this facility over the coming seasons as processes and controls are established with a focus on customer service.

The IT platform has been reviewed and will support the business for the medium term; investment plans are now being developed to ensure that it supports ongoing business growth. A number of process changes have been identified to deliver efficiencies across the Group that will be part of a continuous improvement programme.

Outlook

In the UK our store roll-out is on track with a number of recent new openings across the country, including our largest store to date in the Lakeside shopping centre, Grays, Essex. We are committed to the roll-out of new stores across key locations in the UK and plan to open approximately 20 per year, while increasing the participation of womenswear in the mix. Our online offer has been expanded alongside a re-launched customer facing website and we see significant opportunities to exploit this channel.

The Wholesale Division open order book for Autumn / Winter 2010 indicates that it will be another record season and we continue to take advantage of international opportunities. The global roll-out has only just begun to realise its true potential and will gain real traction over the coming year as further stores open across the world.

There is huge potential for this business both in the UK and internationally, and with a strong growth strategy we are confident of achieving another successful year.

People

SuperGroup is the sum of its people and its success a direct result of their ability, experience, passion and commitment. I want to emphasise how important every single person is to the success of the Group, from store to boardroom, and to thank my colleagues across the UK and beyond for their contribution and for the fantastic way they have responded to the challenges of the past year.

Julian Dunkerton
Chief Executive Officer
SuperGroup Plc
29 July 2010

3.0 Financial Review

3.1 Financial Review

Gross profit of £73.3m (52.6% of sales) is more than double last year and the improvement in the percentage to sales from 47.6% to 52.6% (+5 percentage points) is a result of improved control over supply chain costs, particularly in the Wholesale Division.

Profit after tax of £72.2m has increased by £64.6m over the previous year (2009: £7.6m), which includes the impact of an exceptional deferred tax credit of £49.9m (2009: nil) in the period. Further analysis of the financial review of both Retail and Wholesale is provided in the Chief Executive's Review of the Year on pages 7 to 11.

Basic Earnings Per Share

In our first year, basic earnings per share is 127.2p (2009: 14.0p) based on a weighted average of 56,747,273 shares in issue during the financial year.

Exceptional Operating Costs

Exceptional operating costs consist of £3.8m (2009: nil) of professional advisors' fees relating to the listing on the London Stock Exchange in March 2010. These are not directly attributable to the issue of new shares and so cannot be deducted from the share premium account. All of the costs are allocated against Retail as this is the basis upon which the Board reviews business performance.

Cash, Finance Costs and Income

The Group is debt free and has cash, net of overdrafts, of £28.0m as at the end of the year, an increase of £29.7m compared to the previous year end (2009: net overdraft £1.7m), of which £16.4m represents net proceeds from the flotation.

Finance costs of £0.2m (2009: £0.3m) arose from the utilisation of import loans as part of managing cash flow through the Autumn / Winter 2009 season, and to finance the stock build in Retail prior to Christmas 2009. In the light of increased cash balances, while committed facilities are in place until 1 February 2011, it is expected that they will not be needed in future.

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. Prior to this, the Group had no exposure to corporation tax as taxation on its profits was borne directly by the Members.

3.0 Financial Review

3.1 Financial Review (continued)

As part of this restructuring, certain of the Group's subsidiaries acquired net assets with a total fair value of £375m, as supported by independent external valuations.

The Directors believe that intangible assets (brands and goodwill) of at least £187m acquired in this restructuring should be deductible against taxable profits over the useful economic lives of the respective assets. This has given rise to £52.4m of the exceptional deferred tax credit for the period. Offset against this are accelerated capital allowances and other minor adjustments to create a total net deferred tax credit in relation to the restructuring of £49.9m. No corporation tax was due for the period post 7 March 2010.

Based on the Directors' view of the useful economic lives of the brands and residual goodwill, the Directors consider that the Group's future cash tax expense should be reduced by approximately £4m per annum. This amount will need to be adjusted by subsequent changes to corporate tax rates or other legislative amendments. While this view has yet to be confirmed by HMRC, the Directors believe that the deferred tax asset recognised in the balance sheet is recoverable in full.

Cash Flow and Balance Sheet

The balance sheet has been strengthened by continued high levels of cash generation, investment in new stores (offset by cash contributions from landlords), improved working capital controls and the net proceeds retained in the Group (£16.4m) from the recent flotation.

The net book value of property, plant and equipment almost doubled during the year to £23.3m, primarily due to the opening of 20 stores. Capital expenditure was £15.2m, of which £12.9m was leasehold improvements relating to the retail estate. The remaining capital expenditure relates to IT projects, the UK Distribution Centre and general fixtures and fittings.

We are planning to accelerate the square footage growth of the retail estate and capital expenditure relating to new stores will increase. In particular, the £16.4m net proceeds raised from the flotation will be used to fit out new stores in those locations where landlords' incentives are not available. Landlords' contributions to fit-out costs shorten the payback period for new stores and £11.2m was received during the year (2009: £3.5m). The contributions will be amortised over the lives of the respective leases.

Working capital controls improved during the year, so that working capital now represents 12.9% of annual sales compared with 20.8% in 2009.

3.0 Financial Review

3.1 Financial Review (continued)

Inventories (after provisions) have only increased by £3.6m to £21.1m, representing 15.2% of annual revenues compared with 23.1% a year ago. Trade receivables (after provisions) have increased by £3.1m to £9.5m (excluding landlord contributions). Within this, external trade receivables in the Wholesale Division were £7.5m at the end of the financial year representing an increase of 20% (£1.3m), despite a revenue increase of 94.4% in the year. Trade payables have increased by £5.0m (64.2% above last year) in line with increases in cost of goods and the overhead base.

The Group delivered a net cash in-flow of £29.7m during the year despite continued investment to support growth, converting a net overdraft position at the end of 2009 of £1.7m into a net cash position of £28.0m. The business expects to continue to generate cash into the future, with increased critical mass in the retail estate and tight financial controls over working capital and operating expenses.

Dividends

The Board of Directors has concluded that after such a short period since its flotation the business is best served by retaining current cash reserves to support growth. Consequently a recommendation will be made to the Annual General Meeting that no dividend is payable for 2010.

In future years, the Directors expect to pay a dividend that will take account of the Group's profitability, underlying growth and availability of cash and distributable reserves, while managing an appropriate level of dividend cover.

Key Performance Indicators

At this stage of the Group's development, management use the following Key Performance Indicators which are referenced in the Business Review:

KPI	Units	2010	2009	+/-
Profit Before Tax	£m	22.5	7.6	14.9
PBT Margin	%	16.1%	10.0%	+6.1% pts
Range Size (Spring / Summer)	pieces	1,400	1,000	+400
Retail Selling Space	sq ft	211,680	126,704	+84,976
Retail Store Numbers	No.	42	25	+17
Overseas Revenue Mix	%	49%	34%	+15% pts

The method of calculation is as follows:

- Profit Before Tax is the net of total revenue less direct costs of trade, plus other income, less Selling, General & Administrative expenses and net financing costs;
- Profit Before Tax Margin is the ratio of profit before taxation to external revenue;

3.0 Financial Review

3.1 Financial Review (continued)

- Range Size is the number of pieces in a brand's collection for a season (Autumn / Winter or Spring / Summer) counting individual colour-ways as single items;
- Retail Selling Space is defined as the trading floor area of a store excluding stockroom, administration and other non-trading areas (average selling space, where used is the simple average between the opening and closing positions);
- Store Numbers include all standalone stores open and trading at the end of the period; and
- Overseas Revenue Mix is the proportion of Wholesale revenue sourced outside the UK, excluding royalty receipts.

It is intended the Key Performance Indicators used will be expanded to cover non-financial measures, particularly those related to employees and the environment.

Chas Howes
Group Finance Director
29 July 2010

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 Annual Report. Nothing in this Annual Report 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.

極度乾燥(しなさい)
Superdry
JAEGER
Superdry極度乾燥しなさい
OSAKA


Superdry
SUPERDRY
ROCKERS
MILLEN
JPN

4.0 Board of Directors

4.0 Board of Directors

Peter Bamford, 56, Non-executive Chairman

Peter was appointed on 29 January 2010 and is Chairman of the Nomination Committee. He is also Non-executive Chairman of MCPC-PRS Alliance Limited (known as PRS Music), and a Non-executive Director at Rentokil Initial Plc. Peter was a Director of Vodafone Group Plc from 1998 to 2006. Prior to this he held senior positions with WH Smith Plc, Tesco Plc and Kingfisher Plc.

Julian Dunkerton, 45, Chief Executive Officer

Julian is responsible for the UK Retail Division in addition to his role as CEO. He has worked exclusively in the retail sector for over 25 years. Julian co-founded Cult over 20 years ago, growing the business from a market stall in Cheltenham and turning it into a successful retail chain. Together with James Holder, Julian established the Superdry clothing brand seven years ago, and is widely regarded as one of the most knowledgeable retailers in the UK fashion industry. He was appointed a Director of the newly created SuperGroup Plc on 3 February 2010.

James Holder, 39, Brand and Design Director

James heads up SuperGroup's team of own brand designers. He created the Bench clothing brand in 1992, which became the premier English skate-wear brand in the niche skate/BMX market. In 2003 James and Julian developed the Superdry brand, and James was appointed a Director of the newly created SuperGroup Plc on 3 February 2010.

Chas Howes, 53, Group Finance Director

Chas is responsible for finance and IT. He is a qualified accountant, and held senior finance roles at Diageo Plc (United Distillers and Guinness), Allied Domecq, Foster Group Plc and the Burton Group before becoming Group Finance Director at La Senza Limited. He has worked both in the UK and Japan, undertaking operational, central and regional roles. Chas joined the Group in 2007 and was appointed a Director of the newly created SuperGroup Plc on 2 November 2009.

Theo Karpathios, 47, Chief Executive Officer (Wholesale & International)

Theo is responsible for international expansion and supplier relationships. He started his first business venture in 1987 by supplying clothing to Cult in its infancy. In 1996 he began his own retail business (High Jinks), focusing on branded men's and ladies' street-wear and in 2000 launched a second retail concept (Skate of Mind), dedicated to skateboarding hardware and apparel. He built up the business to eight standalone stores which he sold in 2004 and joined the Group in 2005. Theo was appointed a Director of the newly created SuperGroup Plc on 3 February 2010.

4.0 Board of Directors

4.0 Board of Directors (continued)

Diane Savory, 49, Chief Operating Officer

Diane is responsible for developing and implementing operational strategy across the Group, reviewing business processes and opportunities. Diane also heads up Corporate Services. Prior to joining the Group she established a career in retail design and worked for several fashion chains, designing retail concepts. Diane then trained in finance before joining Cult in 1991 when it was still in its infancy. Diane was appointed a Director of the newly created SuperGroup Plc on 2 November 2009. Outside the Group, Diane is Deputy Chair of Gloucestershire Employment and Skills panel.

Keith Edelman, 60, Senior Independent Non-executive Director

Keith was appointed on 4 February 2010 and is Chairman of the Remuneration Committee. He is also a Non-executive Director at Safestore Holdings Plc, Beale Plc and the Olympic Park Legacy. From 2000 to 2008 Keith was Managing Director of Arsenal Holdings Plc. Formerly, he was Chief Executive Officer of Storehouse Plc and Corporate Planning Director at Ladbrokes Plc.

Steven Glew, 53, Independent Non-executive Director

Steven was appointed on 5 February 2010 and is Chairman of the Audit Committee. He is currently Group Finance Director at UK Mail Group Plc. He joined Mothercare Plc as Group Finance Director in 2003, was previously Group Finance Director of Booker Plc and held a number of senior finance roles at Tesco Plc. Steven is a chartered accountant.

Ken McCall, 53, Independent Non-executive Director

Ken was appointed on 24 May 2010. He is currently Chief Executive Officer of DHL Express, UK & Ireland. Ken has over 29 years experience in the logistics sector, including running international businesses in Europe and Asia and latterly in China. He is a member of the DHL Express Management Board and a member of the President's CBI Committee.

Indira Thambiah, 42, Independent Non-executive Director

Indira was appointed on 12 February 2010. A qualified accountant with an MBA from the London Business School, Indira is a Non-executive Director of the Yorkshire Building Society. Having worked at ASDA Wal-Mart, Indira moved to Home Retail Group Plc, initially as Head of e-Commerce for Argos, and then in 2004 as Head of Multi-channel Retail, before moving to Dixons Retail UK as Group Multi-channel Director. She currently runs her own consulting business.


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Superdry


CULT

5.0 Directors' Report

5.1 Statutory Disclosures

Company Number: 07063562

The Directors present their Annual Report and Financial Statements of the Company for the period from incorporation on 2 November 2009 to 2 May 2010 and also present the Annual Report and Financial Statements of the Company and its subsidiaries (together 'the Group') for the 52 weeks ended 2 May 2010. As the Group has adopted predecessor accounting, the comparative period for the Group is for the 52 weeks ended 3 May 2009. The Corporate Governance Statement, set out on pages 35 to 46, forms part of this report. The Company is incorporated and domiciled in the UK.

Principal Activities

The Group is a UK retailer with a rapidly expanding international wholesale business and an internet route to market that offers significant opportunity for future growth. The Group currently has 42 standalone retail stores and 56 concessions and a large number of wholesale relationships. Superdry is sold in approximately 70 countries worldwide via its websites, and in 36 overseas countries through a well established network of distributors, licensees, agents and franchisees.

The principal activity of the Company is to employ the Directors, hold investments in the Group's subsidiaries, oversee corporate governance and incur central overhead expense.

Business Review and Future Prospects

A summary of the Group's progress during the period, its future prospects and position at year-end (including the Group's Key Performance Indicators) is set out in the Chairman's Overview, the Chief Executive's Review and the Financial Review, on pages 3 to 16. The Group's principal risks and uncertainties are set out in the Corporate Governance Statement on pages 35 to 46. Information in respect of environmental, employee, social and community matters is included later in this report.

Results and Dividends

The audited financial statements of the Group for the 52 weeks ending 2 May 2010, and for the Company for the 26 week period ending 2 May 2010, are set out on pages 67 to 116. The Group profit for the 52 weeks, before taxation, was £22.5m. The Company loss for the 26 weeks ended 2 May 2010 was £1.1m.

The Directors recommend that no dividend be declared for this year and that the cash is retained in the business to support growth.

5.0 Directors' Report

5.1 Statutory Disclosures (continued)

Financial Instruments

The Group occasionally uses financial instruments to minimise potential adverse effects on the Group's financial performance. In particular, forward contracts in relation to foreign exchange have been used. See note 11.31 in the Notes to the Financial Statements for details of the Group's financial risk management objectives and policies.

Directors

Details of the Directors' beneficial interests in the shares of the Company are given in the Directors' Remuneration Report. A brief résumé of each Director's career is set out on pages 19 to 20.

As this year will be the first Annual General Meeting for the Company, all the Directors will retire and, being eligible, will offer themselves for election.

Substantial Shareholdings

At 27 July 2010, the Company had been notified, in accordance with the Disclosure and Transparency Rules (DTR5), of the substantial interests in the Ordinary share capital of the Company (see table below).

Name of Director	% held	Number
Julian Dunkerton	33.02	26,088,944
Theo Karpathios	15.00	11,850,003
James Holder	15.00	11,850,003
Capital Research and Management	4.35	3,442,000

Share Capital, Control and Restriction on Voting Rights

As at 2 May 2010, the Company's issued share capital was 79,000,020 Ordinary shares of five pence each in nominal value. Details of the Company's share capital are shown in note 11.32 to the consolidated financial statements on page 116.

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. 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

5.0 Directors' Report

5.1 Statutory Disclosures (continued)

the Company's Articles of Association and such authorities are renewed by shareholders each year at the Annual General Meeting.

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 so 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 control, the Group and the Company's banking facilities with HSBC Bank Plc (the 'Bank') could become repayable or be withdrawn if the Bank does not consent to the change of control.

Directors' Interests

The Directors who held office at 2 May 2010 had interests in the shares of the Company as shown in the table below.

Name of Director	% held	Number
Julian Dunkerton	33.02	26,088,944
Theo Karpathios	15.00	11,850,003
James Holder	15.00	11,850,003
Diane Savory	1.37	1,086,015
Chas Howes	0.98	775,539
Peter Bamford	0.01	6,000
Keith Edelman	0.01	4,000
Steven Glew	0.01	4,000
Indira Thambiah	0.01	6,000

Directors also had interests in the Group as disclosed in note 11.5 to the Group Financial Statements.

No changes took place in the interests of Directors between 2 May 2010 and 29 July 2010.

Directors' Indemnity Insurance

The Company has taken out Directors' and Officers' insurance in favour of its Directors and Officers as is permitted by the Companies Act 2006. This insurance does not cover fraudulent activity.

5.0 Directors' Report

5.1 Statutory Disclosures (continued)

The Takeover Directive

The issued share capital of the Company, as at 29 July 2010, consisted of 79,074,556 Ordinary shares of 5p 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. During the reporting period to 2 May 2010, there were no purchases by the Company of its own shares. As at the year end, there were no outstanding authorities in place, pursuant to which the Company was able to purchase its own shares.

In accordance with the section below, on 'Share BuyBacks', the Company, at the Annual General Meeting in September 2010, will seek authority to make market purchases of shares up to a maximum of 7,907,455 (being 10% of 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 Financial Statements.

Share BuyBacks

The Company intends to obtain authority from shareholders at the Annual General Meeting in September 2010 to buy back its own shares in the market as they become available, up to a maximum of 10% of those in issue at the time of the notice. Further details are set out in the notice of the Annual General Meeting.

Going Concern

The Group's business activities and growth strategy, together with factors likely to affect the future development, performance and position, are set out in the Directors' Report and Business Review on pages 7 to 46.

The Directors report that, having reviewed 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 Statements.

Creditor Payment Policy

The Company and Group's policy, in relation to all of its suppliers, is to agree the terms of payment when negotiating the terms of a transaction and to abide by those terms, as long as 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 85 (FY09: 87 days).

5.0 Directors' Report

5.1 Statutory Disclosures (continued)

Donations

There were no charitable or political donations during the period (2009: nil).

Related Party Transactions

Other than in respect of arrangements set out in note 11.5 to the Financial Statements and in relation to the employment of Directors, details of which are provided in the remuneration report on pages 49 to 55, there is no material indebtedness owed to, or by the Company, or the Group companies, to any employee or any other person, or entity, considered to be a related party.

Employee Practices

The success of the business 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 are involved, have a sense of belonging and can flourish in order to fulfil their potential. Timely and appropriate communication is a key factor and the Group strives at all times to keep employees informed on matters affecting them and on significant events that affect the business, including financial and economic factors. This is achieved through both formal and informal means.

The proposal to introduce a Long Term Incentive Scheme for certain executives is a way of encouraging involvement and association with the long term success of the business.

The Group believes in respecting employees and their rights in the workplace. A whistleblowing policy is being developed so that employees are able to raise concerns without fear of reprisal.

Equality and diversity are fundamental values supported by the Company and the Group. The Company and the Group have an equal opportunities policy and take their 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 and to employees who become disabled while employed by the Company and the Group.

Corporate Responsibility

The Company and the Group recognise the importance and value of embedding corporate responsibility (CR) into the core business strategy and objectives and during the past year have focussed on four areas: ethical trading, environmental impacts, employee welfare and community initiatives.

5.0 Directors' Report

5.1 Statutory Disclosures (continued)

Our aims are to:

- operate with integrity, honesty and commitment to responsible and ethical business practices;
- have a positive impact on the environment and the communities in which we trade;
- maintain and improve the wellbeing of our employees and have a positive impact on the lives of those who come into contact with us through our business activities;
- meet annually defined targets for the use and reduction of water, energy resources, packaging and waste;
- agree appropriate targets and reduce the carbon footprint of the business; and
- conduct business strictly in accordance with legislation and regulatory requirements.

The path to business sustainability is one where long-term success is determined by environmental management and social progress as well as by pure economic growth. In this light, a number of initiatives have been set up with local businesses to share best practice and accelerate the success of the CR programme. For example, we are undertaking a packaging review and looking to convert to renewable energy sources. To co-ordinate these efforts, the Corporate Responsibility Committee was set up before the year-end on 2 May 2010 and has met twice. It is chaired by the Chief Operating Officer and incorporates a cross-functional team of employees. The Committee oversees all matters relating to the Company and the Group's CR activities, ensuring that its aims are met and remain integral to the core business strategy and operations. Employee engagement is critical to a successful CR strategy and, as part of a wider internal communications drive, all employees are being consulted on this subject.

We will take all reasonable steps to ensure that our suppliers and manufacturers trade ethically and comply with local and international legislation, adhering to recognised standards of best practice based on the principles and conventions of the International Labour Organisation (ILO) as incorporated in the Ethical Trade Initiative (ETI)* base code. These include no forced employment, freedom of association, healthy and safe working conditions, no child labour, fair wages, reasonable working hours, no discrimination and no maltreatment.

*SuperGroup Plc is not a member of ETI

5.0 Directors' Report

5.1 Statutory Disclosures (continued)

SuperGroup is a member of SEDEX (The Supplier Ethical Data Exchange) and will use SEDEX to assist with the management of ethical trading standards within its supply chain. Suppliers will be requested to join SEDEX and provide assessments and audit information via that system. This shows a commitment by the supplier to meet required standards and will allow SuperGroup to oversee and manage the supply base. SuperGroup recognises that some suppliers may require more time to comply, in which case a reasonable time frame will be allowed, subject to their joining SEDEX and commencing the assessment and monitoring process.

The Directors fully acknowledge that operational activities contribute to climate change and wider environmental issues. In order to mitigate these impacts, they are currently prioritising systems to measure and monitor energy, greenhouse gases, water, materials and waste from operations, products and packaging. At the year-end there were no metrics in place. The Group is in the process of measuring its carbon footprint using the World Resources Institute for Greenhouse Gas Protocol. With this information, the Directors will set transparent and achievable objectives to reduce future impacts and operational costs in the business.

Health and Safety

The Company and the Group are committed to providing a safe place for employees and customers to work and shop.

Company policies are reviewed on an ongoing basis to ensure that those regarding training, risk assessments, safe systems of working and accident management are appropriate. As part of this process, a full company audit program is planned to ensure that health, safety, environmental and security risks are stringently assessed and ethically sound, 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 Group's auditors are unaware. Further, each Director has taken all the steps he or she ought to have taken as a Director to make him or herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Auditors

The Directors will put a resolution before the Annual General Meeting to re-appoint PricewaterhouseCoopers LLP as auditors for the ensuing year.


SUPERDRY
XF-91 '57
AVIATORS


Super
Superdry
Super
AUTHORISED SUPPLIER Co. JPN
Superdry
Superdry


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5.0 Directors' Report

5.2 Corporate Governance Statement

Statement of Compliance with the Combined Code

The Company was admitted to listing on the London Stock Exchange on 24 March 2010, and stated in its Prospectus (dated 12 March 2010) that it would comply with the principles of the Combined Code on Corporate Governance (the 'Code'), as published by the Financial Reporting Council in 2008.

The Board is committed to, and accountable for, the principles and provisions set out in the Code. During the brief period since listing the Company has taken steps to establish appropriate and adequate corporate governance arrangements, to an extent that it is practicable. A number of these were still in progress after the year-end, as explained in the report below.

An area of non-compliance identified in the Company's Prospectus at the date of flotation was the ratio of Non-executive Directors to Executive Directors (Code provision A.3.2). This area of non-compliance is continuing and is further explained within the statement from the Nomination Committee below.

The following sections, together with the Directors' Remuneration Report, 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 Board

The Board (formed prior to the listing on 24 March 2010), is responsible for major policy decisions while delegating more detailed matters to its committees and an Executive Committee. The Board is responsible for the Group's system of internal control and for monitoring implementation of its policies. The system of internal control is designed to manage rather than eliminate risk, and can provide only reasonable, not absolute, assurance against material misstatement or risk.

The Board currently consists of a Non-executive Chairman, a Chief Executive Officer, four Executive Directors and four Non-executive Directors. Biographies of these Directors appear on pages 19 to 20. At the year-end there were only four Non-executive Directors including the Chairman, and so during the period the Company did not comply with provision A.3.2 of the Code.

Keith Edelman has been appointed as the Group's Senior Independent Director. 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. It is noted that the Group did not comply with this part of the Code until after the year-end. In accordance with the Combined Code, a schedule of matters reserved to it for decisions has been approved by the Board and this has been communicated widely to the business.

5.0 Directors' Report

5.2 Corporate Governance Statement (continued)

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.

This approval was obtained at a Board Meeting after the year-end and so the Group did not comply with provision A.1.1 of the Code until after the year-end. The requirement for Board approval on these matters is understood.

The division of responsibilities between the Chairman and Chief Executive are set out in writing and were agreed at the Board meeting on 6 May 2010. At year-end the Company was not compliant with provision A.2.1 of the Code.

The Non-executive Directors will meet with the Chairman separately from time to time although this did not occur during the period and so the Company did not comply with provision A.1.3 of the Code during the period. It is intended that the Non-executive Directors will meet without the Chairman present to appraise the Chairman at least annually. The Senior Independent Director will lead this review. During the period to 2 May 2010, these events had not yet taken place and so the Company did not comply with provisions A.1.3 and A.6.1 of the Code during the period.

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 should it be required. For Non-executive Directors a relevant clause is included in their letters of appointment which were in place at the year-end. (Reference provision A.5.2 of the Code).

5.0 Directors' Report

5.2 Corporate Governance Statement (continued)

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. 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 Group Finance Director, Brand Design Director and the Chief Executive Officer (Wholesale & International). The Executive Committee has met regularly throughout the year and has a schedule of meetings for the year ahead.

Board Committees

The Board has appointed Board Committees to carry out certain duties, and these are detailed below. Each of these Committees is chaired by a different Chairman and has written terms of reference available on the Company's 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

5.0 Directors' Report

5.2 Corporate Governance Statement (continued)

Performance Evaluation

No performance evaluation was carried out between flotation and the financial year-end, and so the Company did not comply with provision A.6.1 of the Code. Going forward, the performance of the Board, its Non-executive Directors and Committees will be evaluated annually. It is intended that every three years this process will be carried out by an independent third party. The performance of the Executive Directors is monitored by the Chief Executive Officer and the Chairman.

Board and Committee Attendance

No Board meetings or Board Committee meetings were held between flotation and the financial year-end, and so the Company did not comply with provision A.1.1 of the Code during the period. While a Board meeting was scheduled for April 2010, it was cancelled due to flight disruption as a result of the Icelandic ash cloud issue. Since the year-end a number of meetings have been held; the attendance of Directors at Board and Committee meetings where they are members is as indicated in the table below.

Name	Board Meeting	Audit	Nomination	Remuneration
Maximum number	**4**	**2**	**1**	**3**
Peter Bamford	4	-	1	-
Keith Edelman	3	-	1	3
Steven Glew	4	2	-	3
Indira Thambiah	3	2	-	2
Ken McCall*	2	2	-	-
Julian Dunkerton	4	-	1	-
Theo Karpathios	4	-	-	-
James Holder	3	-	-	-
Diane Savory	4	-	-	-
Chas Howes	4	-	-	-

* Ken McCall was appointed 24 May 2010

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

5.0 Directors' Report

5.2 Corporate Governance Statement (continued)

Company. 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 Company, and they may impose limits or conditions when giving the authorisation, or subsequently, if they think it is appropriate. Any authorisation given is recorded in the Board minutes. 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.

Audit Committee

The Audit Committee assists the Board in discharging its responsibilities with regard to financial reporting, external and internal audits and controls, including reviewing the Group's annual financial statements, 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 reviewing the effectiveness of the Group's internal audit activities, internal controls and risk management systems. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-year report remains with the Board.

The principal functions of the Audit Committee include the following:

- to monitor the integrity of all financial statements issued by the Company and any formal announcements relating to the Group's financial performance, reviewing significant financial reporting judgements contained therein;
- to 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 London Stock Exchange, Financial Reporting Council and other legal and regulatory requirements;
- to review the Group's internal audit function and ensure that it is adequately resourced;
- to consider the appointment, re-appointment and removal of the external auditor and to recommend the remuneration and terms of their engagement;
- to assess the external auditor's independence and objectivity; and
- to review the engagement of the external auditor to ensure that the provision of non-audit services by the external audit firm does not impair its independence or objectivity.

5.0 Directors' Report

5.2 Corporate Governance Statement (continued)

Steven Glew is Chairman of the Audit Committee and the other Audit Committee members are Indira Thambiah and Ken McCall. All the Audit Committee members are Non-executive Directors and the Board considers them all to be independent. The Chairman has relevant financial experience. The Audit Committee will meet at least four times per year and as necessary to fulfil its function effectively. By invitation of the Chairman, the Chief Executive, Group Finance Director, Chief Operating Officer, Divisional Finance Directors, Head of Business Assurance, Head of Internal Audit (outsourced) and External Auditors may also attend Audit Committee meetings. The role of Audit Committee secretary is fulfilled by the Company Secretary. The terms of reference of the Audit Committee are available at www.supergroup.co.uk.

The Audit Committee did not meet during the period between flotation and financial year-end. The Committee has met twice since the financial year-end. The Group Finance Director has attended two Audit Committee meetings and the Chief Operating Officer has attended one.

The principal matters under consideration are set out below.

Risk Management and Internal Control

Further to the review carried out as part of the listing process in March 2010, the Audit Committee has subsequently reviewed and discussed with management the Group's process, evaluation and assessment of its internal control environment and risk control (including financial, operational, compliance and risk management), focussing on effectively managing key risks to the Group. For the period since listing to the financial year end, the Company had not complied with provision C.2.1 of the Code as the review of the Group's system of internal controls had not been completed by the year-end. Since the year end, the Audit Committee has approved the appointment of KPMG Internal Audit Services to develop and deliver an effective internal audit plan within the Group. Since the year-end, progress has been made developing the Risk Register and an Internal Control Matrix. The Audit Committee has additionally reviewed and discussed with management the Group's processes and policies for whistleblowing and for fraud and security. It is satisfied that employees have the opportunity to raise concerns in confidence about possible fraudulent activity within the organisation. As these policies were not in place at the year-end the Company did not comply with provision C.3.4 of the Code.

Financial Reporting

The Audit Committee reviewed and approved the unaudited Preliminary Announcement and Annual Report and Accounts, the appropriateness and acceptability of accounting policies and practices, and compliance with financial reporting standards and requirements.

5.0 Directors' Report

5.2 Corporate Governance Statement (continued)

External Auditors

The Audit Committee reviewed the audit strategy and the outcome and findings of the annual external audit. It assessed the independence of the external auditors and concluded that PricewaterhouseCoopers LLP, the external auditors, were independent. In addition, the Audit Committee approved the scope and fees for the external audit. It reviewed the Group's draft policy for permitted non-audit services which has been approved since the year-end. The Audit Committee confirmed that where PricewaterhouseCoopers LLP provided non-audit services their objectivity was not compromised. The Audit Committee met with the external auditors without management present.

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 and Keith Edelman are both independent Non-executive Directors and represent the majority of the Committee (reference provision A.4.1 of the Code). The Nomination Committee is responsible for nominating candidates for appointment to the Board, having assessed the skills and experience required by the business, although this process was not set up until after the year-end and so the Group was not compliant with provision A.4.2 of the Code during the period.

All appointments to the Board are considered while maintaining a suitable balance of skills and experience as required by the business from time to time and role descriptions are drawn up accordingly (reference provision A.4.3 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 A.4.3 and A.4.5 of the Code).

Their expected time commitment to SuperGroup is included in their letters of appointment which are available for inspection at the Registered Office of SuperGroup Plc (reference provision A.4.4 of the Code).

None of the existing Executive Directors holds Non-executive Directorships.

During the period of reporting since flotation, the Nomination Committee had one meeting, after the year end, to nominate the appointment of Ken McCall to the Board. In the Prospectus, it was stated that a further Director would be appointed. The Nomination Committee had recommended to the Board that, at this stage of the Group's development, the appointment of an additional Non-executive Director should be deferred until the Board is in a position to identify what, if any, skills are required, which remains an ongoing process. The Board approved this recommendation, while recognising that it did not fully comply with the recommendations of provision A.3.2 of the Code at this time.

5.0 Directors' Report

5.2 Corporate Governance Statement (continued)

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.

Appointments to the Board

Newly appointed Directors will receive training appropriate to their previous experience. Non-executive Directors meet regularly with members of the Executive Committee to gain first-hand experience of the business. Site visits will ensure that they are kept up to date with Group developments. To date, all Directors have received instruction on their responsibilities as a Director from the Company's legal advisors and stock broker.

All Directors appointed during the year are required under the provisions of the Company's Articles of Association to retire and seek election by the shareholders at the Annual General Meeting.

Communication with Shareholders

The Company and the Group recognise the importance of communicating with shareholders. The Directors intend to build on 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 Chairman and Senior Independent Director will attend sufficient meetings with shareholders to gain a balanced understanding of their views and concerns and discuss strategy development and corporate governance. The Chairman will then ensure that the views of shareholders are communicated to the Board as a whole. At 2 May 2010 the Company was not compliant with this provision of the Code (D.1.1)

The Company's first Annual General Meeting will be held on 23 September 2010, 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 D.2.3 of the Code).

5.0 Directors' Report

5.2 Corporate Governance Statement (continued)

Also shareholders will have the opportunity to meet Non-executive Directors at other times in the year, particularly after the Non-executive Director has been newly appointed.

Non-executive Directors are kept informed of the views of shareholders by the Executive Directors.

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

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. This review was not completed by the year-end and so the Company and the Group were not compliant in this respect. These systems are there to manage rather than eliminate risk, and can provide only reasonable, and not complete, assurance against material misstatement or loss.

As part of the preparation for the flotation, a framework was developed to identify, evaluate and consider management actions to address the significant risks faced by the Group. Since flotation, the Audit Committee has appointed KPMG as the Group's internal auditors. KPMG have been instructed to review internal controls and put in place an internal audit plan for the year ahead. This internal audit plan will allocate responsibility for identifying and evaluating significant risks to the relevant business area, on a continuing basis.

Principal Risks and Uncertainties

In accordance with 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, as presented in the Prospectus for admission to the London Stock Exchange (published in March of this year), the Group has subsequently undertaken a further assessment of the key risks and uncertainties facing it.

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

External Risks

Changing fashion and trends

If the Group fails to respond swiftly to changes in consumer preferences this might result in lower revenue, markdowns to reduce excess inventories and lower profits. In addition, if the Group fails to anticipate increased consumer demand for its products it may experience inventory shortages that could result in lost

5.0 Directors' Report

5.2 Corporate Governance Statement (continued)

revenue 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, visits to trade fairs and product research on a global basis.

The Group depends on economic conditions that allow discretionary consumer spending

The success of the Group's operations depends largely upon discretionary consumer spending within the economy. Retail, in particular, is sensitive to economic conditions and any downturn could negatively impact on Group revenue and profits. For this reason the Group continually reviews designs and merchandising to ensure that product ranges and price positioning remain attractive. In addition, expenditure on overheads is managed carefully to ensure that it remains in line with growth and sales performance.

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

The Group is potentially vulnerable to adverse movements in exchange rates. It pays for a large proportion of its goods and receives a large proportion of its revenues in foreign currency. The Group's policy is to hedge a portion of foreign exchange risk associated with forecast transactions and foreign currencies, and also to hedge the risk of changes in the relevant spot exchange rate. The Group uses forward exchange contracts to carry out this policy. However, these transactions may not adequately protect the Group's operating results from the effects of exchange rate fluctuations. In addition, the Group's foreign exchange transactions may reduce any benefit that it might otherwise receive as a result of favourable currency movements.

The Group's expansion overseas may not be successful

The Group's business is vulnerable to international political and economic conditions, changes in regulatory environments, exposure to different legal standards, difficulties in staffing and managing operations and also adverse tax consequences. The Group is continually enhancing its operational capability and understanding of the regions in which it operates, carefully selecting target territories and business partners with appropriate regional knowledge and expertise.

Internal Risks

The Group relies on the knowledge and skills of its senior management team and its ability to recruit and retain suitable staff to support growth

The loss of all or any of the Executive Directors or Senior Managers, or any delay in replacing a departed member, may have a material adverse effect on business. While staff retention and recruitment are not

5.0 Directors' Report

5.2 Corporate Governance Statement (continued)

significant issues at this time, particularly at head office, the Group's ability to grow and increase its market share depends significantly on its ability to recruit and retain skilled employees. The Directors believe that the Group will continue to attract skilled and talented employees and plans are in place to enhance its succession planning, leadership and talent management capability.

The Group must effectively manage rapid growth to protect its business, brands and profitability

If the Group fails to manage its current rapid growth effectively then its business and brands could be harmed and profitability reduced. Continual review and development of the Group's operational and financial infrastructure are ongoing and the Directors are confident that there will be appropriate procedures in place to monitor and manage such growth.

The future growth of Group sales will depend on its ability to expand operations through the opening of stores in existing and new markets. There will continue to be significant competition among retailers for desirable store sites and qualified personnel. The Company will continue to monitor and evaluate progress in this area.

If the Group is unable to manage licensees, franchisees or manufacturers then the goodwill of the business may be damaged

The Group ensures that licensees and franchisees are contractually bound to ensure that products sold under its brand names are of acceptable quality and that authorised manufacturers are required to operate in compliance with applicable laws and regulations. Unfavourable publicity concerning the Group or any of its brands or products as a result of a breach of these contractual terms could impact on operating profit. The Group is ensuring that its contractual arrangements are robust and appropriate and is developing its relationship management and monitoring capability.

A breakdown in the relationship with any of the Group's longstanding suppliers, or any of them failing to supply sufficient or acceptable quality of products, could have an adverse effect on Group finances

The Group has built up a number of longstanding relationships with suppliers on which it is dependent and continually seeks ways to improve capability, quality and reduce over-reliance. The Group is particularly exposed to this risk as its largest supplier accounts for approximately one third of purchases. Any deterioration or change in supplier relationships could have an adverse effect on business.

The Group has, over the past three years, increased its number of suppliers to reduce over-reliance, while putting in place properly documented agreements. It will continue to monitor this risk and enhance the monitoring of suppliers to identify any factors that may affect the continuity or quality of supply of products.

5.0 Directors' Report

5.2 Corporate Governance Statement (continued)

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

As an international retail and wholesale business, the Group takes its role and responsibilities seriously. The Group actively engages with its supply base and aims to ensure that suppliers and manufacturers comply with local and international legislation and adhere to recognised standards of best practice. While the Group requires its suppliers and manufacturers to operate in compliance with applicable laws and regulations, it may not be able to control these manufacturers or their labour practices and so cannot ensure full legal compliance. The Group will continue to develop proactive supplier monitoring.

Business interruption at the Group's UK warehouse

In October 2009, the Group centralised its retail distribution and warehousing within the UK at a new 94,500 sq ft warehouse near Gloucester. Should this facility suffer an interruption, the Group's profitability might be harmed. The Group regularly reviews its warehouse and logistics operations to ensure that it has sufficient capacity, is capable of handling required business volumes and has in place appropriate contingency plans.

The Group's disaster recovery plans may not be sufficient

The Group depends on the performance, reliability and availability of its information technology and communications systems. Any damage to these systems could disrupt operations and websites, reducing revenues and profits, impacting on the brands.

The Group relies on third parties, including data centres and bandwidth providers, to host and operate its websites. The Group requires that third parties have robust contingency plans, but recognises that any failure or interruption in the services provided by these third parties could be harmful and damage its business.

The Group's disaster recovery plans may not adequately address every potential event and its insurance policies may not cover all losses (including losses resulting from business interruptions) or damage that it suffers. The Group acknowledges that its back-up capability and business continuity plans need to be robust and tested and expects that its systems will require continued improvement and investment.

The report was approved by the Board of Directors on 29 July 2010 and signed on its behalf by:

Wendy Edwards
Company Secretary
29 July 2010
Registered Office: Unit 60, The Runnings, Cheltenham, Gloucestershire, GL51 9NW.

6.0 Directors' Remuneration Report

6.1 Directors' Remuneration Report

Introduction

This report has been prepared in accordance with the Companies Act 2006 and Schedule 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles relating to Directors' remuneration in the UK Combined Code 2008 (the 'Code'). A resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the financial statements will be approved. The report has been divided into separate sections for audited and unaudited information.

UNAUDITED INFORMATION

Remuneration Committee

The Company established a Remuneration Committee prior to flotation which is constituted in accordance with the recommendations of the Code.

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 will meet at least three times per annum but more frequently if required. No meetings were held during the period of reporting to 2 May 2010. Meetings held, and attendance by Remuneration Committee members since 2 May 2010, are detailed in the Corporate Governance Statement. None of the Remuneration Committee members has any personal financial interest (other than as shareholders), conflicts of interests arising from cross-directorships or day-to-day involvement in running the business. Directors do not get involved in discussions about their own remuneration.

The Company Chairman and Executive Directors may be invited to join the Remuneration Committee meetings when appropriate. The Chairman has attended two of its meetings during the period since 2 May 2010, the Chief Operating Officer has attended three and the Group Finance Director has attended one.

The responsibilities of the Remuneration Committee include:

- determining and agreeing with the Board the remuneration policy for the Chairman, Non-executive Directors, Executive Directors and senior management;

6.0 Directors' Remuneration Report

6.1 Directors' Remuneration Report (continued)

- setting individual remuneration arrangements for the Chairman, Non-executive Directors and Executive Directors;
- recommending and monitoring the remuneration of senior management; and
- approving the service agreements of each Non-executive Director and Executive Director, including termination arrangements.

The role of the 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. Hewitt New Bridge Street ('HNBS') were appointed by the Remuneration Committee following the year-end to advise on the development of an executive remuneration policy. The terms of engagement between the Company and HNBS are available from the Company Secretary on request. HNBS provide no other services to the Company.

Remuneration Policy

The Company currently operates an Executive Director Remuneration Policy comprising base salaries and benefits (car allowances are paid to certain individuals). As a result of the Executive Directors' significant shareholdings in the Company and commitments not to sell shares for at least 18 months from flotation, the Remuneration Committee believes that individuals are sufficiently incentivised to mitigate the need to offer annual or long-term incentive arrangements at the current time. The Remuneration Committee will continually review the Executive Directors' participation in annual and long term incentive arrangements.

However, following a review of remuneration arrangements for senior executives below Board ('Senior Executives'), the Remuneration Committee has concluded that it needs to introduce a competitive suite of market-consistent, annual and long-term incentive arrangements to enable it to recruit, retain and incentivise those individuals who do not hold significant shareholdings in the Company. The Remuneration Committee will, therefore, begin to develop market-consistent and competitive annual bonus arrangements for Senior Executives and, as explained in more detail below, a resolution to approve a new long-term incentive plan - the SuperGroup Performance Share Plan - will be put forward at the 2010 Annual General Meeting.

6.0 Directors' Remuneration Report

6.1 Directors' Remuneration Report (continued)

Base Salary and Benefits

Executive Directors' base salaries will be 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 are as follows:

Julian Dunkerton	Chief Executive Officer	£400,000
James Holder	Brand and Design Director	£300,000
Theo Karpathios	Chief Executive Officer (Wholesale & International)	£300,000
Chas Howes	Group Finance Director	£225,000
Diane Savory	Chief Operating Officer	£225,000

With the exception of a car allowance provided to the Chief Executive Officer, Brand and Design Director and Chief Executive Officer (Wholesale & International), the Company or Group does not provide taxable benefits to the Executive Directors. The taxable benefit for the Brand and Design Director was not received during the period to 2nd May 2010.

Performance Share Plan

Following a review of market practice and advice provided by HNBS, the SuperGroup Performance Share Plan ('PSP') has been designed to 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. A resolution to approve the PSP is being put forward at the 2010 Annual General Meeting.

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 performance conditions measured over a three year period and continued service.

Although Executive Directors will be eligible to participate in the PSP, the Committee believes that their significant shareholdings in the Company are sufficient to incentivise them at present. Therefore initial awards under the PSP will be restricted to Senior Executives. Executive Directors' future participation will be reviewed by the Remuneration Committee on an ongoing basis.

It is intended that the initial awards to Senior Executives will be made shortly after the 2010 Annual General Meeting. In later years, awards will normally be made following the announcement of the annual results.

6.0 Directors' Remuneration Report

6.1 Directors' Remuneration Report (continued)

The PSP's individual annual limit will be 200% of an individual's base salary, although there will be scope to grant up to 300% of base salary in exceptional circumstances (eg on recruitment). The initial award levels to Senior Executives are generally expected to be significantly below 200% of salary level.

Performance will normally be measured over three years. For the first awards to be made in September/October 2010, performance will relate to the three year period ending the 2012/2013 financial year end. Performance measures for the initial awards will be 70% based on earnings per share ('EPS') and 30% based on total shareholder return ('TSR') relative to a selected group of retailers.

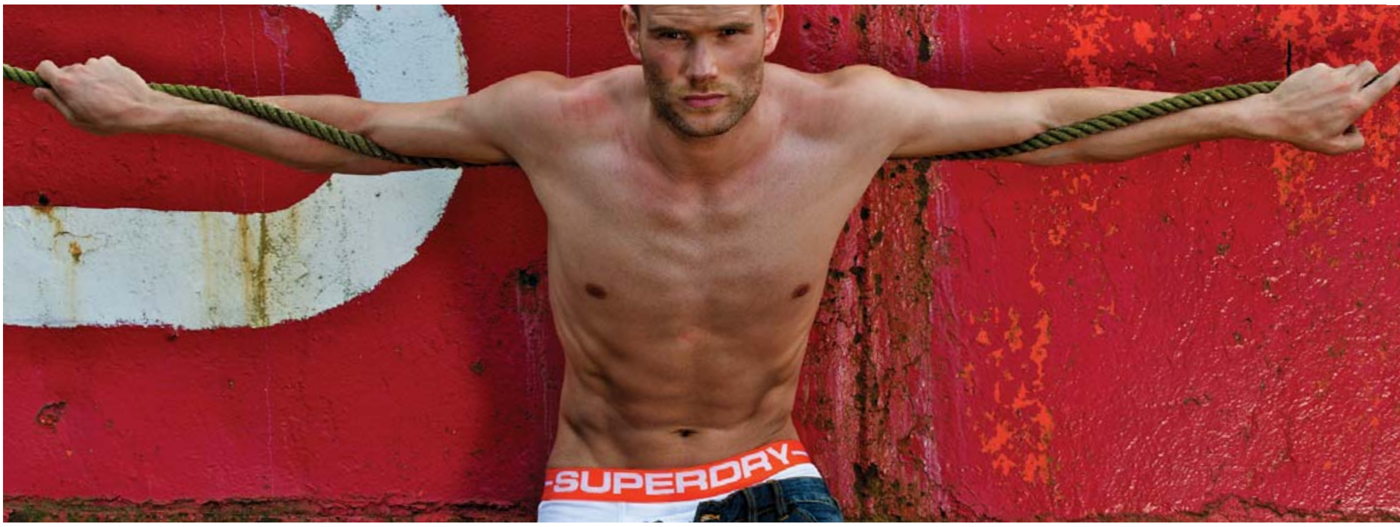
In addition to the TSR performance condition, the Remuneration Committee must also be satisfied that there has been an improvement in the Company's underlying financial performance.

The Remuneration Committee is comfortable that the blend of EPS and TSR targets will provide 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.

Further details of the PSP, including the effect of participants leaving employment and a change of control, are set out in the Notice of the Annual General Meeting.

Share Ownership Guidelines

In conjunction with the introduction of the PSP, the Company will introduce share ownership guidelines. Under the guidelines, Executive Directors not holding shares worth at least 100% of their base salary will, to the extent that they receive PSP awards in future years, be expected to retain 50% of vested awards (net of tax) until such time as this level of holding is met. Similar guidelines will be operated for Senior Executives at lower levels.



6.0 Directors' Remuneration Report

6.1 Directors' Remuneration Report (continued)

Executive Directors' Service Contracts

The Executive Directors' service agreements, dated 12 March 2010, 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
James Holder	12 March 2010	12
Theo Karpathios	12 March 2010	12
Chas Howes	12 March 2010	12
Diane Savory	12 March 2010	12

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 Company, or engage in any other activity which the Company considers may impair their performance.

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 the fee 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	04 February 2010	04 February 2013
Steven Glew	05 February 2010	05 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.

6.0 Directors' Remuneration Report

6.1 Directors' Remuneration Report (continued)

Current fee levels are as follows:

Name	Base Fee	Audit/Remuneration Committee Chairmanship	Senior Independent Director	Total
Peter Bamford	£150,000	-	-	£150,000
Keith Edelman	£50,000	£7,500	£5,000	£62,500
Steven Glew	£50,000	£7,500	-	£57,500
Ken McCall *	£50,000	-	-	£50,000
Indira Thambiah	£50,000	-	-	£50,000

* Appointed 24 May 2010

AUDITED INFORMATION

Directors' Emoluments

The emoluments of the Directors were as follows:

Name	Directors salaries/fees	Taxable Benefits[1]	Total to 2 May 2010
Julian Dunkerton	£58,333	£1,551	£59,884
James Holder	£43,750	-	£43,750
Theo Karpathios	£43,750	£1,650	£45,400
Chas Howes	£32,813	-	£32,813
Diane Savory	£32,813	-	£32,813
Peter Bamford	£37,500	-	£37,500
Keith Edelman	£15,625	-	£15,625
Steven Glew	£14,375	-	£14,375
Indira Thambiah	£10,417	-	£10,417
Ken McCall	-	-	-
Total	**£289,376**	**£3,201**	**£292,577**

Notes

1. Other than the provision of a company car to certain Directors for part of the period from 3 February 2010 to 2 May 2010, there were no other taxable benefits paid to the Executive Directors. James Holder received no benefits during the period.

2. There were no Directors in the prior period of reporting to 3 May 2009.

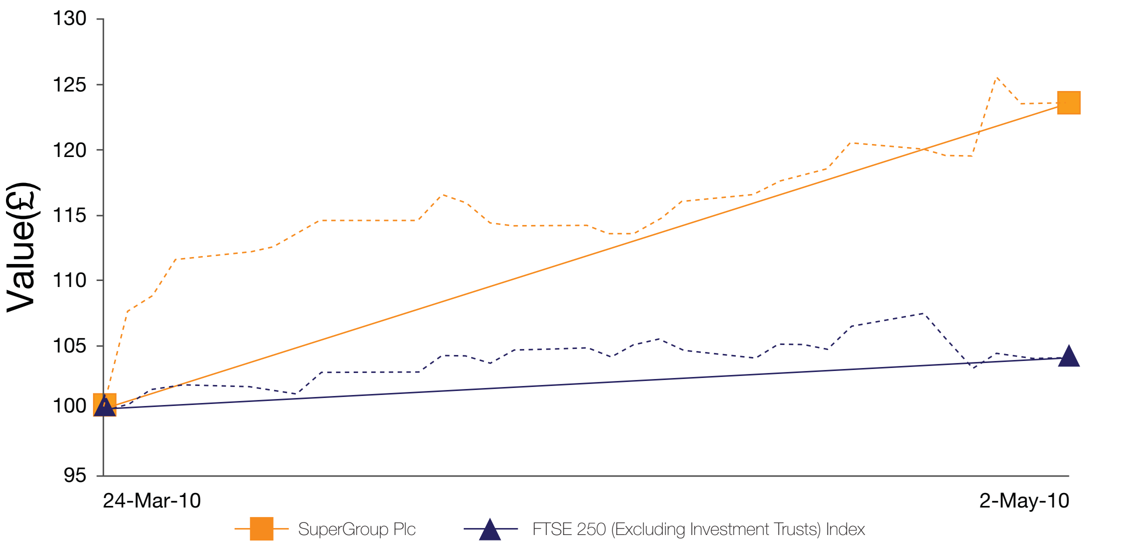
3. The Directors' emoluments relate to the period post 7 March 2010 as, prior to this date, the Group was under an LLP structure. Details of Members' drawings in the LLP are included in note 11.5 of the Combined and Consolidated Financial Statements.

6.0 Directors' Remuneration Report

6.1 Directors' Remuneration Report (continued)

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 2 May 2010. The FTSE 250 index has been selected based on the Company's market capitalisation over this period.



This graph shows the value, by 2 May 2010, 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)

Interests in Shares

The interests of the Directors and their families in the shares of the Company were as follows:

Name	2 May 2010 Ordinary shares
Julian Dunkerton	26,088,944
James Holder	11,850,003
Theo Karpathios	11,850,003
Chas Howes	1,086,015
Diane Savory	775,539
Peter Bamford	6,000
Keith Edelman	6,000
Steven Glew	4,000
Indira Thambiah	4,000

There have been no other changes in the interests set out above between 2 May 2010 and 29 July 2010.

Keith Edelman

Remuneration Committee Chairman

29 July 2010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Superdry

7.0 Statement of Directors' Responsibilities

7.1 Statement of Directors' Responsibilities in respect of the annual report and the financial statements

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 parent 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 Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgments 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 Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy, at any time, the financial position of the Company and the Group 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 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 Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

All of the Directors, whose names and functions are listed in the Report and Accounts, confirm that, to the best of their knowledge:

- the Group and the Company financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' report 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
29 July 2010

Chas Howes
Group Financial Director
29 July 2010


SUPER
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8.0 Independent Auditors' Report

8.1 Independent Auditors' Report to the Members of SuperGroup Plc

We have audited the financial statements of SuperGroup Plc for the 52 weeks ended 2 May 2010 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 Directors' Responsibilities Statement 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 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.

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 2 May 2010 and of the Group's profit and cash flows for the 52 weeks then ended and of the Company's cash flows for the 26 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

8.0 Independent Auditors' Report

8.1 Independent Auditors' Report to the Members of SuperGroup Plc (continued)

- 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.

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 28, in relation to going concern; and
- the parts of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Steven Kentish (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
30 July 2010

9.0 Shareholder Information

9.1 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 11.30am on Thursday 23 September 2010 at The Cheltenham Ladies' College, Bayshill Road, Cheltenham, Gloucestershire GL50 3EP. The notice of the meeting available on our website, sets out the business to be transacted.

Registered Office
Unit 60
The Runnings
Cheltenham
Gloucestershire
GL51 9NW.

Registrars
Computershare Plc
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ.
Shareholder helpline: 0870 8893102

Auditors
PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT.

Bankers
HSBC Bank plc
3 Rivergate
Temple Quay
Bristol
BS1 6ER.

Solicitors
Fox Williams LLP
Ten Dominion Street
London
EC2M 2EE.

BPE LLP
St James' House
St James' Square
Cheltenham
GL50 3PR.

Stockbrokers
Seymour Pierce Ltd
20 Old Bailey
London
EC4M 7EN.

Financial PR
M: Communciations
1 Ropemaker Street
London
EC2Y 9AW.

Superdry Store Sydney - Australia


Superdry Store - Luxembourg

Superdry Flagship Store - London

Superdry Store Copenhagen - Denmark

Cult Store Bristol - UK

Superdry Store Montpellier - France


Superdry Store - New York

Superdry Store Lille - France

Superdry Store Kortrijk - Belgium

Cult Store Plymouth - UK

Superdry Store Melbourne - Australia


Superdry Store Basingstoke - UK

Superdry Store Paris Citadium - France

Cult Store Liverpool - UK


Superdry Store Waterloo - Belgium

Superdry Store Brussels Fort Jaco - Belgium

Superdry Store Berlin - Germany

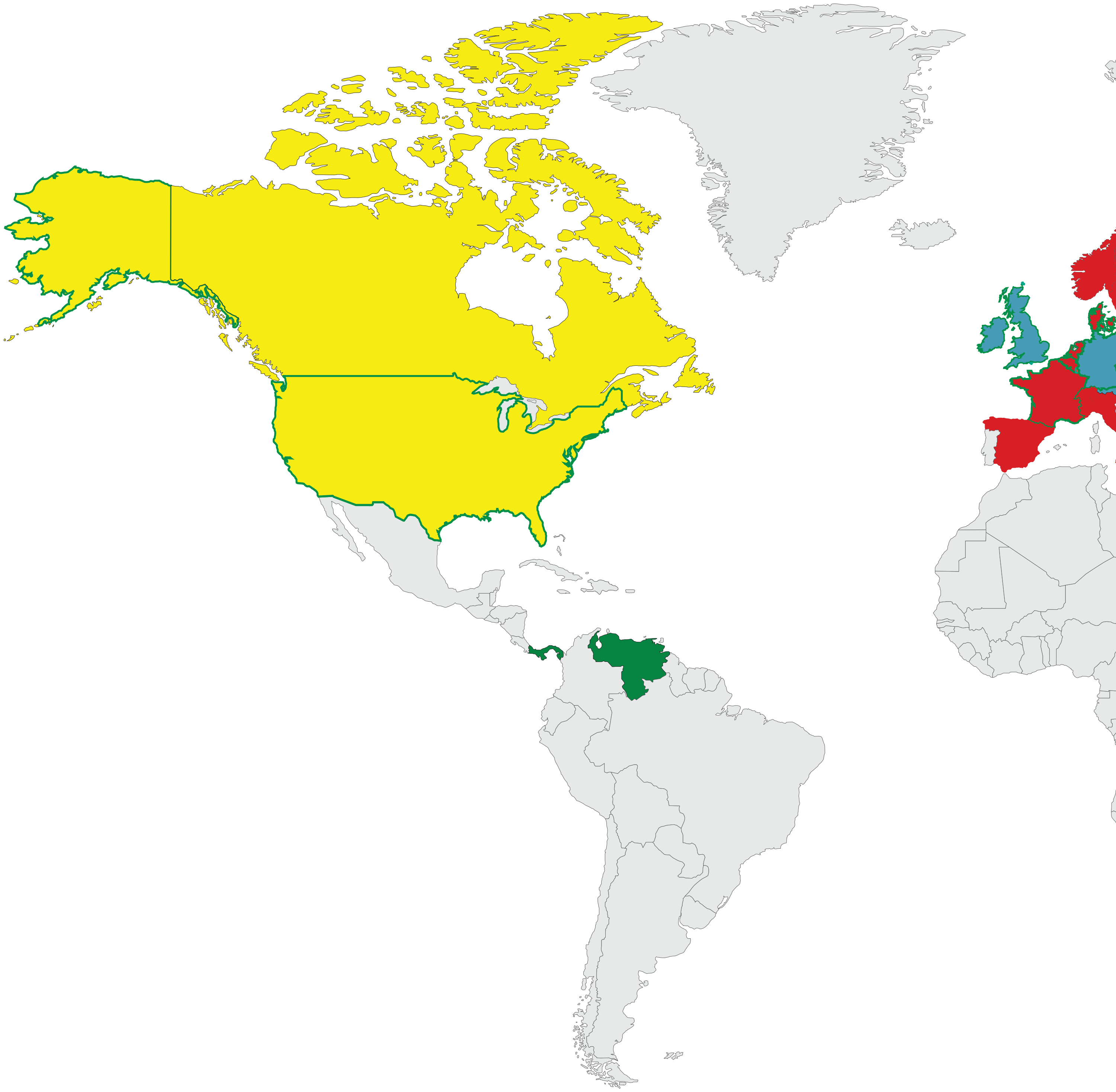

Superdry Store La Vela - Venezuela

Superdry Store Antwerp - Belgium

Cult Store Cardiff - UK

Superdry Store Saint Tropez - France

SuperGroup's Global Presence



distributor

spain
norway
sweden
finland
switzerland
italy
san marino
greece
malaysia
korea

distributor / franchisee

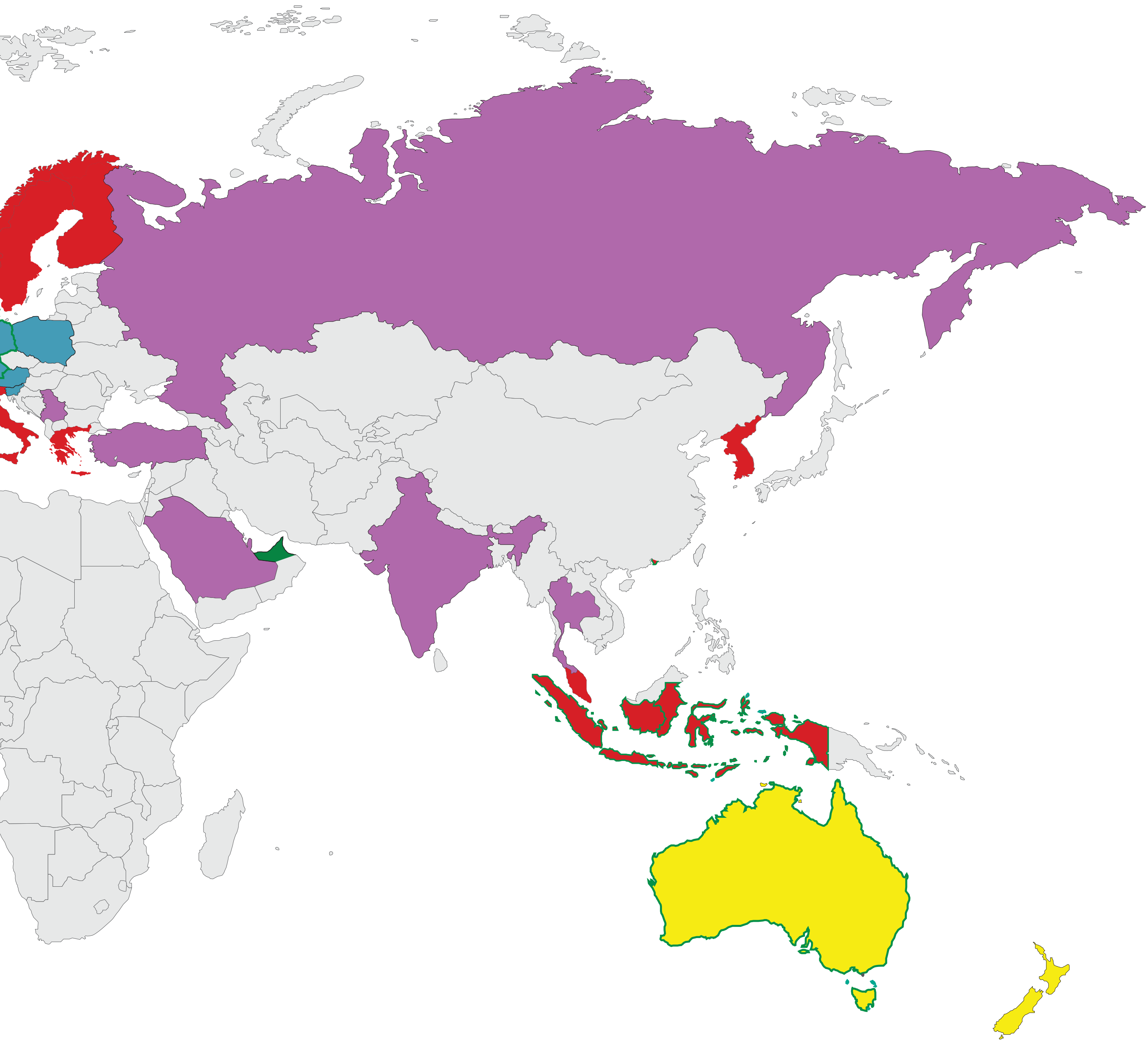
france
belgium
holland
denmark
luxembourg
indonesia
hong kong

franchisee

uae
panama
venezuela

licencee

new zealand
canada



licencee / franchisee	agent	agent / franchisee	independent
australia	austria	uk	russia
usa	poland	ireland	malta
		germany	serbia
			turkey
			saudi arabia
			thailand
			india
			slovenia

10.0 Group and Company Financial Statements

10.1 Group statement of comprehensive income

	Note	52 weeks ended 2 May 2010	52 weeks ended 3 May 2009
		Group	
		£'000	£'000
Revenue	11.4	139,404	76,143
Cost of sales	11.7	(66,130)	(39,877)
Gross profit		**73,274**	**36,266**
Selling, general and administrative expenses excluding exceptional items	11.8	(47,630)	(28,601)
Selling, general and administrative expenses - exceptional items	11.8	(3,811)	-
Total selling, general and administrative expenses	**11.8**	**(51,441)**	**(28,601)**
Other gains and losses (net)	11.9	790	251
Operating profit	**11.6**	**22,623**	**7,916**
Finance income	11.12	3	2
Finance costs	11.13	(170)	(331)
Profit before tax before exceptional items and derivatives		26,501	7,917
Exceptional items	11.8	(3,811)	-
Net derivatives expense		(234)	(330)
Profit before tax		**22,456**	**7,587**
Income tax expense excluding exceptional items	11.14	(187)	-
Exceptional income tax credit	11.14	49,889	-
Total income tax credit	**11.14**	**49,702**	**-**
Profit for the period		**72,158**	**7,587**
Other comprehensive income net of tax:			
Currency translation difference	10.4	(33)	-
Total comprehensive income for the period		**72,125**	**7,587**
Attributable to:			
Shareholders of the Company		72,125	7,587
		pence per share	pence per share
Earnings per share:			
Basic and diluted	11.17	127.2	14.0

The results for the financial period are derived from continuing operations.

Under predecessor accounting the total comprehensive income for the period is attributable to the shareholders of the Company. Other comprehensive income is disclosed net of tax.

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 73 to 116 inclusive are an integral part of these consolidated financial statements.

The Company number is 07063562.

10.0 Group and Company Financial Statements

10.2 Balance sheets

			Group	Company
	Note	2 May 2010	3 May 2009	2 May 2010
		£'000	£'000	£'000
ASSETS				
Non-current assets				
Property, plant and equipment	11.18	23,299	12,250	120
Intangible assets	11.19	1,093	627	57
Investments in subsidiaries	11.20	-	-	375,000
Deferred income tax assets	11.21	49,702	-	-
Total non-current assets		**74,094**	**12,877**	**375,177**
Current assets				
Inventories	11.22	21,130	17,563	-
Trade and other receivables	11.23	16,373	9,283	1,532
Derivative financial instruments	11.31	103	-	-
Cash and cash equivalents	11.24	29,359	777	15,026
Total current assets		**66,965**	**27,623**	**16,558**
LIABILITIES				
Current liabilities				
Borrowings	11.25	1,349	5,408	-
Trade and other payables	11.26	21,480	11,639	1,428
Derivative financial instruments	11.31	337	329	-
Provisions for other liabilities and charges	11.27	817	28	-
Total current liabilities		**23,983**	**17,404**	**1,428**
Net current assets		**42,982**	**10,219**	**15,130**
Non-current liabilities				
Borrowings	11.25	21	2,574	-
Trade and other payables	11.26	16,528	4,773	-
Total non-current liabilities		**16,549**	**7,347**	**-**
Net assets		**100,527**	**15,749**	**390,307**
Equity				
Share capital	10.4	3,950	2,700	3,950
Share premium	10.4	120,138	-	120,138
Translation reserve	10.4	(33)	-	-
Merger reserve	10.4	(342,265)	(2,700)	-
Retained earnings	10.4	318,737	15,749	266,219
Total equity		**100,527**	**15,749**	**390,307**

The notes on pages 73 to 116 inclusive are an integral part of these consolidated financial statements.

Authorised by the Board on 29 July 2010 and signed on its behalf by:

Julian Dunkerton
Chief Executive Officer

Chas Howes
Group Finance Director

10.0 Group and Company Financial Statements

10.3 Cash flow statements

	Note		Group	Company
		52 weeks ended 2 May 2010	52 weeks ended 3 May 2009	26 weeks ended 2 May 2010
		£'000	£'000	£'000
Cash flows from operating activities				
Profit/(loss) before income tax		22,456	7,587	(1,081)
Adjusted for:				
- Depreciation of property, plant and equipment	11.18	4,070	3,213	5
- Loss on disposal of property, plant and equipment	11.9	29	18	-
- Amortisation of intangible assets	11.19	126	98	1
- Net impact of lease incentives		388	131	-
- Net finance costs		167	329	(4)
- Fair value losses on derivative financial instruments	11.31	234	329	-
- Foreign exchange gains on operating activities		(254)	(24)	-
Changes in working capital:				
- Increase in inventories	11.22	(3,567)	(8,037)	-
- Increase in trade and other receivables	11.23	(5,145)	(1,580)	(1,532)
- Increase in trade and other payables	11.26	8,730	2,392	1,428
Cash generated from/(used in) operations		**27,234**	**4,456**	**(1,183)**
Interest received	11.12	3	2	4
Interest paid	11.13	(170)	(331)	-
Net cash generated from/(used in) operating activities		**27,067**	**4,127**	**(1,179)**
Cash flow from investing activities				
Purchase of property, plant and equipment		(15,236)	(7,551)	(125)
Proceeds on sales of property, plant and equipment		88	1	-
Purchase of intangible assets	11.19	(592)	(475)	(58)
Net cash used in investing activities		**(15,740)**	**(8,025)**	**(183)**
Cash flow from financing activities				
Cash contributions received from landlords		11,152	3,450	-
(Repayment)/proceeds from related party	11.25	(156)	177	-
(Repayment)/proceeds from borrowings	11.25	(2,866)	2,771	-
Repayment of capital element of finance leases	11.25	(21)	(25)	-
Members' drawings/transfers	11.5	(5,859)	(1,996)	-
Amounts repaid to retired members		(181)	-	-
Proceeds received from issuance of shares net of transaction costs	10.4	121,388	-	121,388
Repayment of loan notes	10.4	(105,000)	-	(105,000)
Net cash generated from financing activities		**18,457**	**4,377**	**16,388**

10.0 Group and Company Financial Statements

10.3 Cash flow statements (continued)

		Group		Company
	Note	52 weeks ended 2 May 2010	52 weeks ended 3 May 2009	26 weeks ended 2 May 2010
		£'000	£'000	£'000
Net increase in cash and cash equivalents	11.30	**29,784**	**479**	**15,026**
Cash and cash equivalents, net of overdraft, at beginning of period	11.24	(1,743)	(2,198)	-
Exchange losses on cash and cash equivalents		(10)	(24)	-
Cash and cash equivalents at end of period, net of overdraft	11.24	**28,031**	**(1,743)**	**15,026**

The notes on pages 73 to 116 inclusive are an integral part of these consolidated financial statements.

10.0 Group and Company Financial Statements

10.4 Statements of changes in equity

Group	Note	Share capital	Share premium	Other reserves	Translation reserve	Merger reserve	Retained earnings	Total equity
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 5 May 2008	**11.1e**	**2,700**	**-**	**-**	**-**	**(2,700)**	**10,506**	**10,506**
Comprehensive income								
Profit for the period		-	-	-	-	-	7,587	7,587
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**7,587**	**7,587**
Transactions with owners								
Members' drawings	11.1e	-	-	-	-	-	(2,344)	(2,344)
Total transactions with owners		**-**	**-**	**-**	**-**	**-**	**(2,344)**	**(2,344)**
Balance at 3 May 2009		**2,700**	-	-	-	**(2,700)**	**15,749**	**15,749**
Comprehensive income								
Profit for the period		-	-	-	-	-	72,158	72,158
Other comprehensive income								
Currency translation differences		-	-	-	(33)	-	-	(33)
Total other comprehensive income		**-**	**-**	**-**	**(33)**	**-**	**-**	**(33)**
Total comprehensive income for the period		**-**	**-**	**-**	**(33)**	**-**	**72,158**	**72,125**
Transactions with owners								
Reverse opening capital structure under predecessor accounting	11.1e	(2,700)	-	-	-	2,700	-	-
Withdrawal of members' capital accounts relating to the business combination		-	-	-	-	-	(36,470)	(36,470)
Shares issued relating to the business combination	11.1d	270,000	-	-	-	-	-	270,000
Issue of loan notes relating to the business combination	11.1d	-	-	69,380	-	-	-	69,380
Capital reduction	11.1d	(267,300)	-	-	-	-	267,300	-
Proceeds from shares issued at a premium on IPO	11.1e	1,250	123,750	-	-	-	-	125,000
Directly attributable costs for shares issued at a premium on IPO	11.1e	-	(3,612)	-	-	-	-	(3,612)
Repayment of loan notes		-	-	(69,380)	-	-	-	(69,380)
Merger reserve arising on business combinations	11.1e	-	-	-	-	(342,265)	-	(342,265)
Total transactions with owners		**1,250**	**120,138**	**-**	**-**	**(339,565)**	**230,830**	**12,653**
Balance at 2 May 2010		**3,950**	**120,138**	**-**	**(33)**	**(342,265)**	**318,737**	**100,527**

The Group was restructured on 7 March 2010 which, under predecessor accounting, created a merger reserve upon consolidation (see note 11.1).

10.0 Group and Company Financial Statements

10.4 Statements of changes in equity (continued)

Company	Note	Share capital	Share premium	Other	Retained earnings	Total equity
		£'000	£'000	£'000	£'000	£'000
Balance at 2 November 2009		-	-	-	-	-
Comprehensive income						
Loss for the period		-	-	-	(1,081)	(1,081)
Total comprehensive income		**-**	**-**	**-**	**(1,081)**	**(1,081)**
Transactions with owners						
Shares issued relating to the business combination	11.1d	270,000	-	-	-	270,000
Issue of loan notes relating to the business combination	11.1d	-	-	69,380	-	69,380
Capital reduction	11.1d	(267,300)	-	-	267,300	-
Proceeds from shares issued at a premium on IPO	11.1e	1,250	123,750	-	-	125,000
Directly attributable costs for shares issued at a premium on IPO	11.1e	-	(3,612)	-	-	(3,612)
Repayment of loan notes		-	-	(69,380)	-	(69,380)
Total transactions with owners		**3,950**	**120,138**	**-**	**267,300**	**391,388**
Balance at 2 May 2010		**3,950**	**120,138**	**-**	**266,219**	**390,307**

The notes on pages 73 to 116 inclusive are an integral part of these consolidated financial statements.

SuperGroup Plc was incorporated on 2 November 2009 and hence no statement of changes in equity is required prior to this period.

Each reserve is explained in note 11.1.

11.0 Notes to the Combined and Consolidated Financial Statements

11.1 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 and Ireland, as detailed in note 11.20 (the 'Group') have been prepared under the historical cost convention, in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union, and IFRICs, and in accordance with the Companies Act 2006 applicable to companies reporting under IFRS.

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 Company's accounting policies (note 11.2)

Net debt analysis (as set out in note 11.30) 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 thousand except where indicated.

b) Company formation

The Company was incorporated in the UK on 2 November 2009 under the name DKH Clothing Plc. On 11 January 2010, the Company was re-registered as a Private Limited Company and changed its name to SuperGroup Limited. On the 8 March 2010 the Company re-registered as a Public Limited Company and changed its name to SuperGroup Plc.

c) Subsidiary formation

The Company subsidiaries as detailed in note 11.20 were incorporated on 28 January 2010 with the exception of DKH Retail Limited which was incorporated on 2 November 2009. The first set of financial statements for the subsidiaries will be prepared for the period ended 1 May 2011.

d) Restructuring

In the 52 weeks to 3 May 2009, and in the current period up to 7 March 2010, the Group comprised SuperGroup Holdings LLP and its subsidiary undertakings: Cult Retail LLP and Laundry Athletics LLP. On 30 November 2009, SuperGroup Holdings LLP retired as a member in its subsidiaries with the replacement members of those subsidiaries being the existing members in SuperGroup Holdings LLP. SuperGroup Plc was never a member of SuperGroup Holdings LLP.

11.0 Notes to the Combined and Consolidated Financial Statements

11.1 Principal accounting policies (continued)

On 7 March 2010, in advance of the Initial Public Offering, the Group underwent a restructuring as follows:

- the members' capital accounts in Laundry Athletics LLP were converted into loan notes to be settled in cash with the relevant members. On the same date, the LLP sold its trade and assets and assumed liabilities to DKH Retail Limited at fair value of £187,120,720 in consideration of which the members of the LLP received 117,741,124 shares of £1 each, and loan notes of £69,379,596 in DKH Retail Limited. These loan notes had an option to allow the Group to settle in a fixed number of shares and hence were classified as equity in accordance with IAS32 - Financial Instruments - Presentation.

- the members' capital accounts in Cult Retail LLP were converted into loans to be settled in cash with the relevant members. On the same date, the LLP sold its trade and assets and assumed liabilities to SuperGroup Limited at a fair value of £152,258,876, in consideration of which the members of the LLP received 152,258,876 shares of £1 each in the Company. The entire trade and assets were then transferred into four newly-created subsidiaries of SuperGroup Limited, being C-Retail Limited, SuperGroup Concessions Limited, SuperGroup Internet Limited and SuperGroup Retail Ireland Limited.

- SuperGroup Limited undertook a capital reduction of its 270,000,100 shares from £1 per share to 1 pence per share and, as a result, £267,300,000 was transferred from share capital to retained earnings. A share consolidation then took place to convert the 270,000,100 Ordinary 1p shares into 54,000,020 Ordinary 5p shares.

e) Basis of consolidation

Before and after the restructuring detailed above, the entities were all under common control and therefore the business combinations were outside the scope of IFRS 3 (revised).

The consolidated financial statements of SuperGroup Plc have 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 10.4).

Subsidiaries are those entities in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain

11.0 Notes to the Combined and Consolidated Financial Statements

11.1 Principal accounting policies (continued)

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.

In preparing the financial information up to 7 March 2010, the financial statements of the individual entities are combined on a line-by-line basis by adding together like items of assets, liabilities, equity, and income and expenses. Balances, transactions and unrealised gains or losses on transactions between the combined and consolidated entities including their subsidiaries, are eliminated in full. From 7 March 2010, the Group has consolidated the individual entities.

Share capital

Under predecessor accounting, the Group has elected to include the whole period statement of comprehensive income rather than from the restructuring date. When this election is taken, the Group must include the acquired entity's results and capital structure, as if the Group had always existed in this form, even though the business combination did not occur until the current year.

Therefore the capital structure at 7 March 2010 has been included in the comparative period and up to 7 March 2010. This comprises only the issued and fully paid share capital of £2,700,000 (note 10.4).

Group statement of comprehensive income

The Group has included the result of all undertakings in the statement of comprehensive income for the whole period to 2 May 2010 as if the Group had always existed in its current form.

Retained earnings

The Group has adopted IAS 32 (revised) and hence where the features and conditions of the financial liabilities in the LLP agreement met the definition of putable instrument as defined by IAS 32 (revised), these financial liabilities are presented as equity in other reserves.

A putable instrument is a financial instrument that gives the holder the right to put the instrument back to the issuer for cash or another financial asset or is automatically put back to the issuer on the occurrence of an uncertain future event or the death or retirement of the instrument holder. This includes a contractual obligation for the issuer (in this case the LLPs) to repurchase or redeem that instrument for cash or another asset on exercise of the put option.

Retained earnings up to and including 7 March 2010, represents the members' capital accounts in Cult Retail

11.0 Notes to the Combined and Consolidated Financial Statements

11.1 Principal accounting policies (continued)

LLP and Laundry Athletics LLP under IFRS. This represents the accumulation of profits in those LLPs plus capital introduced, less accumulated drawings.

From 8 March 2010 onwards, the retained earnings reflects the accumulated profits and losses of the Group.

Other reserves

The convertible loan notes issued by the Company are classified as equity as there is no contractual obligation for the Company to deliver cash or any other financial asset under the terms of the loan note. All loan notes were settled before 2 May 2010.

Merger reserve

The merger reserve represents the differences on consolidation arising on the adoption of predecessor accounting. This comprises the difference between consideration paid and the book value of net assets acquired in the transaction.

Initial Public Offering (IPO) of SuperGroup Plc

On 24 March 2010, SuperGroup Plc listed 25,000,000 Ordinary shares of 5p each on the London Stock Exchange at a consideration of £5 per share. This raised £125,000,000 in proceeds, with £1,250,000 being recorded in share capital and £123,750,000 in share premium. Costs directly attributable to the listing of £3,612,000 have been offset against the share premium account arising on this transaction.

£105,000,000 of the proceeds were used to repay the loan notes that were issued as part of the Group restructuring.

f) Foreign currencies

The consolidated financial information is presented in pounds sterling, which is the Company's functional and 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.

11.0 Notes to the Combined and Consolidated Financial Statements

11.1 Principal accounting policies (continued)

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.

g) 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 return 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 or upon delivery to the customer, whichever is the later. 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 or upon delivery to the customer, whichever is the later. Concession revenues are settled in cash, by the concession grantor net of commissions or other fees payable.

It is the Group's policy to sell its products with a right to exchange within 28 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 or payment card.

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.

11.0 Notes to the Combined and Consolidated Financial Statements

11.1 Principal accounting policies (continued)

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.

h) 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.

Royalty income earned by the wholesale segment from the retail segment is eliminated on consolidation as part of the intercompany transaction eliminations.

i) 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.

j) 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.

k) Leasing and similar commitments

Assets funded through finance leases and similar hire purchase contracts are capitalised as property, plant and equipment, where the Group assumes substantially all of the risks and rewards of ownership. Upon initial recognition, the leased asset is measured at the lower of its fair value and the present value of the minimum lease payments. Future instalments under such leases, net of financing costs, are included within interest bearing loans and borrowings. Rental payments are apportioned between the finance element, which is included in finance costs, and the capital element which reduces the outstanding obligation for future instalments so as to give a constant charge on the outstanding obligation.

11.0 Notes to the Combined and Consolidated Financial Statements

11.1 Principal accounting policies (continued)

All other leases are accounted for as operating leases 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 similar to 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 on the balance sheet at the point the recognition criteria in the lease is met, and credited to the rental expense in the Group statement of comprehensive income on a straight line basis over the term of the lease.

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 rental expense 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.

l) 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.

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:

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

Residual values and useful economic lives are reviewed annually and adjusted if appropriate.

11.0 Notes to the Combined and Consolidated Financial Statements

11.1 Principal accounting policies (continued)

m) Impairment

The carrying values of non-financial assets are reviewed at each balance sheet date 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 each store for standalone stores, concessions, internet and wholesale. 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.

n) Intangible assets

Intangible assets acquired separately from a business are recognised initially at cost. 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

Trademark costs comprise the external cost of registration and associated legal costs.

Website and software costs consist primarily of externally incurred development costs.

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

o) Derivative financial instruments and hedging activities

Derivative financial instruments are recognised initially at their fair value and re-measured at fair value at each

11.0 Notes to the Combined and Consolidated Financial Statements

11.1 Principal accounting policies (continued)

period end. Derivative financial instruments are categorised as held for trading. The gain or loss on re-measurement 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 income. Supplier derivatives are recognised in cost of sales.

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.

p) 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 their current location and condition, and is based on the weighted average principle. Provisions are made for obsolescence, mark downs and shrinkage.

Cost of sales comprises of inventories, distribution and other costs to deliver the products.

q) 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.

r) 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. 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.

s) Borrowings

Borrowings are initially recorded at fair value net of transaction costs, including facility fees incurred and

11.0 Notes to the Combined and Consolidated Financial Statements

11.1 Principal accounting policies (continued)

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 re-measured 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.

Financial instruments issued by the Group comprise convertible loan notes that can either be repaid in cash, or be converted to share capital at the option of the Group. These financial instruments are recognised in equity in other reserves at fair value.

Loan notes with no option to be converted to share capital, and that will be repaid in cash, are recognised in liabilities.

t) Provisions

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 discounted where the impact is significant.

Provisions for dilapidations are provided when the Group becomes obligated and the liability can be reliably estimated.

u) Employee benefit obligations

The Group operates a stakeholder pension scheme for the benefit of its employees. The Group does not contribute into any pension scheme.

Payroll expense and related contributions

Wages, salaries, and social insurance funds, 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.

11. Notes to the Combined and Consolidated Financial Statements

11.1 Principal accounting policies (continued)

v) Trade and other payables

Trade and other payables, excluding lease incentives (see note 11.1k), 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.

w) Taxation

Historically, due to the LLP structure of the Group, current and deferred tax has been nil. Income tax payable on the profits of the LLPs is solely the personal liability of the individual members of those LLPs and is not dealt with in these financial statements.

Following the transition from an LLP structure to a public limited company, the Group is liable to corporation tax. 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 by the balance sheet date, adjusted for any tax paid in respect of prior 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 tax assets are not discounted.

11.0 Notes to the Combined and Consolidated Financial Statements

11.1 Principal accounting policies (continued)

x) 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.

y) 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.

z) 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 Board.

aa) Cost of sales

Cost of sales comprises movements between opening and closing inventories, purchases, distribution costs and commissions payable.

ab) 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 (loss)/profit on the disposal of non current assets;
- impairment of property, plant and equipment;

11.0 Notes to the Combined and Consolidated Financial Statements

11.1 Principal accounting policies (continued)

- impairment of non-current other receivables;
- impairment of intangible assets;
- the costs and benefits associated with significant corporate, financial or operational restructuring, including IPO; and
- charges for non trading related bonuses and share based payments.

ac) 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.

11.2 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.

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 £186,000,000 over the next 20 years to obtain the full tax deduction against the amortisation of goodwill and intangible assets.

11.0 Notes to the Combined and Consolidated Financial Statements

11.3 New accounting pronouncements

The following new standards and interpretations have been published, but are not mandatory for the Group's accounting period ending 2 May 2010. The Group has not early adopted:

- IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). The interpretation was published in November 2008. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Group and Company will apply IFRIC 17 from 3 May 2010;

- IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the Group statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the 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. All acquisition-related costs are expensed;

- IFRS 9, 'Financial instruments', issued in December 2009. This addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 2 May 2013 but is available for early adoption. The Group is yet to assess IFRS 9's full impact. However, initial indications are that it will not affect the Group's financial statements;

- IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised IAS 24 is required to be applied from 3 May 2010;

11.0 Notes to the Combined and Consolidated Financial Statements

11.3 New accounting pronouncements (continued)

- IAS 32 (amendment), 'Classification of rights issues', issued in October 2009. For rights issues offered for a fixed amount of foreign currency, current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to all the entity's existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment should be applied for annual periods beginning on or after 1 February 2010;

- IFRIC 14 (amendments), 'Prepayments of a minimum funding requirement', issued in November 2009. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented;

- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. This clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after 1 July 2010. Earlier application is permitted;

- IAS 38 (amendment), 'Intangible Assets'. The amendment is part of the IASB's annual improvements project published in April 2009 and the Group and Company will apply IAS 38 (amendment) from the date that IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination, and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives;

- IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of

11.0 Notes to the Combined and Consolidated Financial Statements

11.3 New accounting pronouncements (continued)

non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirements of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Group will apply IFRS 5 (amendment) from 3 May 2010;

- IAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group will apply IAS 1 (amendment) from 3 May 2010;

- IFRS 2 (amendments), 'Group cash-settled share-based payment transaction (effective from 1 January 2010)'. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of Group arrangements that were not covered by that interpretation.

11.4 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 (the 'Board'). The Board assesses the performance of the operating segments based on profit before tax. The Board considers the business from a customer perspective only, being retail and wholesale.

Up until publication of the IPO Prospectus, which was produced as part of the flotation process, the Chief Operating Decision-Maker was Julian Dunkerton, who reviewed performance of the business based on four segments as there were reporting lines from these segments. Since the IPO the CODM is now the Board with a Chief Executive Officer for Wholesale and Retail. The comparative segmental disclosures have appropriately been restated to reflect this change.

11.0 Notes to the Combined and Consolidated Financial Statements

11.4 Segment Information (continued)

The Board, as Chief Operating Decision-Maker, has been assessing the appropriate segments for the ongoing management of the business. 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 stores, concessions and internet sites. Revenue is derived from the sale to individual consumers of own brand and third party clothing, shoes and accessories; and

- Wholesale - principal activities comprise the wholesale distribution of own branded products (clothes, shoes and accessories) worldwide and the design and ownership of brands.

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Capital expenditure comprises additions to property, plant and equipment and intangible assets. The Group reports and manages central functions as part of retail operations.

Internal charges between segments have been reflected in the performance of each business segment. Inter-segment transfers or transactions are entered into under a cost plus pricing structure.

Segmental information for the main reportable business segments of the Group for the 52 weeks ended 2 May 2010 and 3 May 2009 is set out below:

May 2010 Segmental analysis	Retail	Wholesale	Group
	£'000	£'000	£'000
Total segment revenue	86,394	58,148	144,542
Inter-segment revenue	-	(5,138)	(5,138)
Revenue from external customers	**86,394**	**53,010**	**139,404**
Exceptional items	3,811	-	3,811
Finance income	3	-	3
Finance costs	(99)	(71)	(170)
Profit before tax	**11,885**	**10,571**	**22,456**
Total assets	71,175	69,884	141,059
Total liabilities	31,547	8,985	40,532
Capital expenditure	15,355	473	15,828
Depreciation and amortisation	3,861	335	4,196
Lease incentive amortisation	388	-	388
Income tax expense/(credit) excluding exceptional items	(637)	824	187
Exceptional income tax expense/(credit)	1,545	(51,434)	(49,889)

11.0 Notes to the Combined and Consolidated Financial Statements

11.4 Segment Information (continued)

The following information is not required by IFRS 8 but is considered useful to the reader.

May 2010 Segmental analysis	Retail	Wholesale	Group
	£'000	£'000	£'000
Operating profit before exceptional items and derivatives	15,889	10,779	26,668
Exceptional items	(3,811)	-	(3,811)
Net derivatives expense	(97)	(137)	(234)
Operating profit	**11,981**	**10,642**	**22,623**
Finance income	3	-	3
Finance costs	(99)	(71)	(170)
Profit before tax	**11,885**	**10,571**	**22,456**

May 2009 Segmental analysis	Retail	Wholesale	Group
	£'000	£'000	£'000
Total segment revenue	48,874	46,904	95,778
Inter-segment revenue	-	(19,635)	(19,635)
Revenue from external customers	**48,874**	**27,269**	**76,143**
Finance income	2	-	2
Finance costs	(232)	(99)	(331)
Profit before tax	**4,518**	**3,069**	**7,587**
Total assets	27,903	12,597	40,500
Total liabilities	14,318	10,433	24,751
Capital expenditure	7,127	899	8,026
Depreciation and amortisation	3,017	294	3,311
Lease incentive amortisation	131	-	131

There were no exceptional items in 2009.

The following information is not required by IFRS 8 but is considered useful to the reader.

May 2009 Segmental analysis	Retail	Wholesale	Group
	£'000	£'000	£'000
Operating profit before exceptional items and derivatives	4,748	3,498	8,246
Net derivatives expense	-	(330)	(330)
Operating profit	**4,748**	**3,168**	**7,916**
Finance income	2	-	2
Finance costs	(232)	(99)	(331)
Profit before tax	**4,518**	**3,069**	**7,587**

11.0 Notes to the Combined and Consolidated Financial Statements

11.4 Segment Information (continued)

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

Revenues of approximately £16,700,000 (2009: £12,100,000) in the retail segment are derived from concessions within department stores which are all under common ownership.

Each subsidiary of the Group is incorporated and resident in the UK, with the exception of SuperGroup Retail Ireland Limited which is incorporated in the Republic of Ireland. Revenue from external customers in the UK and the total revenue from external customers from other countries are:

		Group
	52 weeks ended 2 May 2010	52 weeks ended 3 May 2009
	£'000	£'000
External revenue – UK	110,530	66,958
External revenue – overseas	28,874	9,185
Total external revenue	**139,404**	**76,143**

Other than the UK, there are no individual countries which have material revenue streams. There are no significant non-current assets located outside of the UK.

11.5 Balances and transactions with related parties

The drawdown in cash of retained members' profit prior to 7 March 2010 which is not recorded in the Group statement of comprehensive income, by the members of the Limited Liability Partnerships, which includes any prior share of profit, was as follows:

		Group
	52 weeks ended 2 May 2010	52 weeks ended 3 May 2009
	£'000	£'000
Julian Dunkerton/Cult Clothing Cheltenham Limited	3,501	926
Theo Karpathios/Karpathios Limited	1,142	470
James Holder/James Holder Limited	1,216	565
Cult Loyalty Limited	-	35

Capital of £2,410,876 was introduced by Cult Clothing Cheltenham Limited prior to 7 March 2010.

11.0 Notes to the Combined and Consolidated Financial Statements

11.5 Balance and transactions with related parties (continued)

As part of the Group restructuring key management received shares and loan notes in SuperGroup Plc as follows:

	Shares received	Loan notes received
	£'000	£'000
Julian Dunkerton/Cult Clothing Cheltenham Limited	130,445	60,970
Theo Karpathios/Karpathios Limited	59,250	19,234
James Holder/James Holder Limited	59,250	19,533
Diane Savory	5,430	1,358
Chas Howes	3,801	950
John Kingston	2,715	679
Richard Baldwin	1,358	339
Andrew Humphreys	1,358	339

The loan notes were converted into cash prior to 2 May 2010.

Directors' emoluments

Directors' remuneration is detailed in the Director's Remuneration Report on pages 49 to 55.

Related Party Guarantees

Guarantees are irrevocable assurances that the Group will make payments in the event that another party cannot meet its obligations. On 6 October 2009, Cult Retail LLP signed an operating lease agreement to act as a guarantor on a retail premises in Kildare, Ireland. The premises are leased to Tokyo Retail Limited in which Julian Dunkerton's brother-in-law is a director. The annual rent is €79,400 plus a turnover linked element and the guarantee expires in October 2011.

Related party transactions

The Group had the benefit of an unsecured loan from Cult Clothing Cheltenham Limited FURBS in which Julian Dunkerton is a beneficiary. The loan facility was repaid in March 2010 and interest was payable at 1.1% above the HSBC base rate per annum. The amount owed to Cult Clothing Cheltenham Limited FURBS at each period end date was as follows:

		Group	Company
	2 May 2010	3 May 2009	2 May 2010
	£'000	£'000	£'000
Amount outstanding			
Cult Clothing Cheltenham Limited FURBS	-	2,533	-

11.0 Notes to the Combined and Consolidated Financial Statements

11.5 Balance and transactions with related parties (continued)

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.

Following the conversion of the limited liability partnerships into limited companies, Julian Dunkerton and Theo Karpathios both purchased their company vehicles from the Group. The fair values of the vehicles were obtained prior to the sale and sold on an arm's length basis for £19,000 each.

Around the period end Julian Dunkerton, Theo Karpathios and James Holder personally paid bonuses of £959,000 to long serving employees of the Group. These amounts are not included in the Group statement of comprehensive income as these costs were not borne by the Group.

There were no related party transactions entered into by the Company.

11.6 Operating profit

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

		Group
	52 weeks ended 2 May 2010	52 weeks ended 3 May 2009
	£'000	£'000
Depreciation on tangible assets - owned	4,033	3,095
Depreciation on tangible assets - leased	37	118
Amortisation of intangible assets	126	98
Operating lease rentals for leasehold properties	7,250	4,065
Net foreign exchange (gains)/losses	(1,351)	829
Loss on sale of property, plant and equipment	29	18
Exceptional items	3,811	-

11.0 Notes to the Combined and Consolidated Financial Statements

11.7 Cost of sales

	Group	
	52 weeks ended 2 May 2010	52 weeks ended 3 May 2009
	£'000	£'000
Opening Inventories	17,563	9,526
Closing Inventories	(21,130)	(17,563)
Purchases	59,154	40,903
Distribution costs	8,285	6,258
Other	2,258	753
Total cost of sales	**66,130**	**39,877**

11.8 Selling, general and administrative expenses

	Group	
	52 weeks ended 2 May 2010	52 weeks ended 3 May 2009
	£'000	£'000
Staff costs	15,102	9,474
Operating lease payments	7,250	4,065
Depreciation and amortisation	4,196	3,311
Other	21,082	11,751
Selling, general and administrative expenses before exceptional items	**47,630**	**28,601**
Costs incurred in relation to financial and operational restructuring, and the initial public offering (exceptional items)	3,811	-
Total selling, general and administrative expenses	**51,441**	**28,601**

Exceptional costs consist of £3,811,000 (2009: nil) of professional advisors' fees relating to the listing on the London Stock Exchange in March 2010, but which are not directly attributable to the issue of new shares and so cannot be deducted from the share premium account. All of the costs are allocated against retail as this is the basis on which the Board reviews the performance of the business.

11.9 Other gains and losses

	Group	
	52 weeks ended 2 May 2010	52 weeks ended 3 May 2009
	£'000	£'000
Foreign exchange forward contracts	110	(7)
Loss on disposal of property, plant and equipment	(29)	(18)
Other income	709	276
Total other gains and losses	**790**	**251**

11.0 Notes to the Combined and Consolidated Financial Statements

11.10 Auditors' remuneration

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

	Group	
	52 weeks ended 2 May 2010	52 weeks ended 3 May 2009
	£'000	£'000
Audit services		
Fees payable to Company auditors for the audit of parent company and combined and consolidated financial statements	207	-
The audit of Company's subsidiaries pursuant to legislation	32	65
Non-audit services		
Fees payable to the Company's auditors and its associates for other services:		
Services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the Company or any of its associates	2,261	201
All other services	61	-

11.11 Employee benefit expense

	Group	
	52 weeks ended 2 May 2010	52 weeks ended 3 May 2009
	£'000	£'000
Wages and salaries	14,136	8,725
Social security costs	966	749
Total employee benefit expense	**15,102**	**9,474**

There have been no share based compensation plans in operation for the 52 weeks ended 2 May 2010 (2009: none).

	Group	
	52 weeks ended 2 May 2010	52 weeks ended 3 May 2009
	In hundreds	In hundreds
Average number of employees (excluding members, including directors on a service contract)	**798**	**414**
Average number of employees:		
Administration	92	42
Wholesale	42	24
Retail	664	348
Total average headcount	**798**	**414**

Directors' remuneration is detailed in the Directors' Remuneration Report on pages 49 to 55.

11.0 Notes to the Combined and Consolidated Financial Statements

11.11 Employee benefit expense (continued)

Key members of management received remuneration, as a salary or a fixed share of trading profit, which is recorded in the Group statement of comprehensive income of £660,000 during the period (2009: £315,000).

SuperGroup Plc, the parent company, had an average of 19 employees during the period 7 March 2010 to 2 May 2010. The parent company did not have any employees prior to this period.

11.12 Finance income

		Group
	52 weeks ended 2 May 2010	52 weeks ended 3 May 2009
	£'000	£'000
Bank interest income	3	2
Total finance income	**3**	**2**

11.13 Finance costs

		Group
	52 weeks ended 2 May 2010	52 weeks ended 3 May 2009
	£'000	£'000
Interest expense on borrowings	169	328
Finance lease costs	1	3
Total finance costs	**170**	**331**

11.14 Income tax credit

The tax credit comprises:

		Group
	52 weeks ended 2 May 2010	52 weeks ended 3 May 2009
	£'000	£'000
Current tax	-	-
Deferred tax- origination and reversal of temporary differences	187	-
Exceptional income tax credit - deferred tax arising in subsidiary entities following business acquisitions	(49,889)	-
Total tax credit	**(49,702)**	**-**

11.0 Notes to the Combined and Consolidated Financial Statements

11.14 Income tax credit (continued)

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

		Group
	52 weeks ended 2 May 2010	52 weeks ended 3 May 2009
	£'000	£'000
Profit before tax	22,456	7,587
Profit multiplied by the standard rate in the UK - 28%	6,288	2,124
Expenses not deductible for tax purposes	445	-
Non qualifying additions	215	-
Overseas tax differentials	11	-
Profits of the LLP not subject to corporation tax	(6,772)	(2,124)
Total income tax expense excluding exceptional items	**187**	**-**
Exceptional income tax credit - Deferred tax arising in subsidiary entities following business acquisitions	(49,889)	-
Total income tax credit including exceptional items	**(49,702)**	**-**

Deferred tax movement is as follows:

		Group
	52 weeks ended 2 May 2010	52 weeks ended 3 May 2009
	£'000	£'000
Deferred tax arising in subsidiary entities following business acquisitions	(49,889)	-
Charged to the income statement		
- Accelerated capital allowances	(186)	-
- Movement on goodwill and intangibles	805	-
- Other temporary differences (losses)	(459)	-
- Revaluation of derivatives and forward exchange contracts	27	-
Total income tax credit	**(49,702)**	-
Represented by:		
Accelerated capital allowances	2,928	-
Temporary differences (losses)	(459)	-
Recognition of lease incentives	(550)	-
Goodwill and other intangibles arising in subsidiary entities	(51,555)	-
Revaluation of derivatives and forward exchange contracts to fair value	(66)	-
Total income tax credit	**(49,702)**	**-**

In preparation for the flotation of the business on the London Stock Exchange, a substantial reorganisation was undertaken with effect from 7 March 2010, as described in note 11.1. As part of this reorganisation, certain of the Group's subsidiaries acquired net assets with a total fair value of £375,000,000.

11.0 Notes to the Combined and Consolidated Financial Statements

11.14 Income tax credit (continued)

The Directors believe that intangible assets acquired in this transaction of at least £187,000,000 in the Group's subsidiaries should be deductible against taxable profits over the useful lives of the respective assets. This has given rise to £52,360,000 of the exceptional deferred tax credit for the period.

A number of changes to the UK corporation tax system were announced in the June 2010 Budget Statement. The Finance (No 2) Act 2010 is expected to include legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 24% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date, and so are not included in these financial statements.

The effect of the changes to be enacted in the Finance (No 2) Act 2010 would be to reduce the deferred tax asset provided at 2 May 2010 by £1,775,000. This £1,775,000 decrease in the deferred tax asset would decrease profit for the year by £1,775,000. This decrease in the deferred tax asset is due to the proposed reduction in the corporation tax rate from 28% to 27% with effect from 1 April 2011.

The proposed reductions of the main rate of corporation tax by 1% per year to 24% by 1 April 2014 are expected to be enacted separately each year. The overall effect of the further changes from 27% to 24%, if these applied to the deferred tax balance at 31 March 2010, would be to reduce the deferred tax asset by £7,100,000 (being £46,151,000 recognised in 2012, £44,377,000 recognised in 2013 and £42,602,000 recognised in 2014).

11.15 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 Company was incorporated on 2 November 2009. The loss after tax for the 26 weeks ended 2 May 2010 was £1,081,000. The Directors have approved the statement of comprehensive income for the Company.

11.16 Dividends

No dividends will be proposed at the Annual General Meeting on 23 September 2010 (2009: nil).

11.0 Notes to the Combined and Consolidated Financial Statements

11.17 Earnings per share

		Group
	52 weeks ended 2 May 2010	52 weeks ended 3 May 2009
	No	No
Number of shares	79,000,020	54,000,020
Weighted average number of ordinary shares outstanding	56,747,273	54,000,020
Earnings		
Profit for the period basic and diluted (£'000)	72,158	7,587
Basic earnings per share (pence per share)	**127.2**	**14.0**

In the comparative period the number of shares represents the capital structure at 7 March 2010 as determined in accordance with the application of predecessor accounting (see note 11.1e).

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

As there are no share options in issue, diluted earnings per share is equal to basic earnings per share.

11.18 Property, plant and equipment

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

					Group
	Leasehold improvements	Furniture, fixtures and fittings	Computer equipment	Motor Vehicles	Total
	£'000	£'000	£'000	£'000	£'000
52 weeks ended 2 May 2010					
Cost					
At 4 May 2009	16,675	1,526	588	172	18,961
Additions	12,912	1,364	943	17	15,236
Disposals	(345)	(74)	(236)	(91)	(746)
At 2 May 2010	29,242	2,816	1,295	98	33,451
Accumulated depreciation					
At 4 May 2009	5,443	806	351	111	6,711
Disposals	(314)	(74)	(173)	(68)	(629)
Depreciation charge	3,348	206	497	19	4,070
At 2 May 2010	8,477	938	675	62	10,152
Net balance sheet amount at 2 May 2010	**20,765**	**1,878**	**620**	**36**	**23,299**
Held under finance leases	-	-	-	9	9

11.0 Notes to the Combined and Consolidated Financial Statements

11.18 Property, plant and equipment (continued)

					Group
	Leasehold improvements	Furniture, fixtures and fittings	Computer equipment	Motor Vehicles	Total
	£'000	£'000	£'000	£'000	£'000
52 weeks ended 3 May 2009					
Cost					
At 5 May 2008	9,967	1,104	290	213	11,574
Additions	6,708	422	421	-	7,551
Disposals	-	-	(123)	(41)	(164)
At 3 May 2009	16,675	1,526	588	172	18,961
Accumulated depreciation					
At 5 May 2008	2,772	581	164	126	3,643
Disposals	-	-	(108)	(37)	(145)
Depreciation charge	2,671	225	295	22	3,213
At 3 May 2009	5,443	806	351	111	6,711
Net balance sheet amount at 3 May 2009	**11,232**	**720**	**237**	**61**	**12,250**
Held under finance leases	-	29	-	32	61

The Group leases various vehicles under non-cancellable finance lease agreements. The lease terms are between two and five years, and ownership of the assets lies within the Group.

At each period end there were no assets under construction.

		Company
	Computer equipment	Total
	£'000	£'000
26 weeks ended 2 May 2010		
Cost		
At 2 November 2009	-	-
Additions	125	125
Disposals	-	-
At 2 May 2010	125	125
Accumulated depreciation		
At 2 November 2009	-	-
Disposals	-	-
Depreciation charge	5	5
At 2 May 2010	5	5
Net balance sheet amount at 2 May 2010	**120**	**120**
Net balance sheet amount at 2 November 2009	**-**	**-**

11.0 Notes to the Combined and Consolidated Financial Statements

11.19 Intangible assets

			Group
	Trademarks	Website and software	Total
	£'000	£'000	£'000
52 weeks ended 2 May 2010			
Cost			
At 4 May 2009	771	20	791
Additions	255	337	592
At 2 May 2010	1,026	357	1,383
Accumulated amortisation			
At 4 May 2009	159	5	164
Amortisation charge	65	61	126
At 2 May 2010	224	66	290
Net balance sheet amount at 2 May 2010	**802**	**291**	**1,093**

			Group
	Trademarks	Website and software	Total
	£'000	£'000	£'000
52 weeks ended 3 May 2009			
Cost			
At 5 May 2008	316	-	316
Additions	455	20	475
At 3 May 2009	771	20	791
Accumulated amortisation			
At 5 May 2008	66	-	66
Amortisation charge	93	5	98
At 3 May 2009	159	5	164
Net balance sheet amount at 3 May 2009	**612**	**15**	**627**

		Company
	Website and software	Total
	£'000	£'000
26 weeks ended 2 May 2010		
Cost		
At 2 November 2009	-	-
Additions	58	58
At 2 May 2010	58	58
Accumulated amortisation		
At 2 November 2009	-	-
Amortisation charge	1	1
At 2 May 2010	1	1
Net balance sheet amount at 2 May 2010	**57**	**57**
Net balance sheet amount at 2 November 2009	**-**	**-**

11.0 Notes to the Combined and Consolidated Financial Statements

11.20 Investments (Company)

	Company
	2 May 2010
	£'000
Additions in the year	375,000
Total investments	**375,000**

All additions took place on the 7 March 2010.

Principal subsidiaries

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

			Company
Subsidiary	Principal activity	Country of incorporation	2 May 2010
			%
C-Retail Limited	Clothing retailer in UK stores	UK	100
Cult Retail LLP	Clothing retailer	UK	100
DKH Retail Limited	Worldwide wholesale distribution	UK	100
Laundry Athletics LLP	Worldwide wholesale distribution	UK	100
SuperGroup Concessions Limited	Clothing retailer in concessions	UK	100
SuperGroup International Limited	Employment of overseas employees	UK	100
SuperGroup Internet Limited	Clothing retailer via the world wide web	UK	100
SuperGroup Retail Ireland Limited	Clothing retailer in the Republic of Ireland	ROI	100

All shares held by the Company are Ordinary equity shares.

Cult Retail LLP and Laundry Athletics LLP transferred their trade and assets to the other subsidiary companies on 7 March 2010 (note 11.1d).

11.0 Notes to the Combined and Consolidated Financial Statements

11.21 Deferred tax assets

	Group		Company
	2 May 2010	3 May 2009	2 May 2010
	£'000	£'000	£'000
Assets/(liability)			
Accelerated capital allowances	(2,928)	-	-
Temporary differences (losses)	459	-	-
Recognition of lease incentives	550	-	-
Deferred tax arising on subsidiary entities following business acquisitions.	51,555	-	-
Revaluation of derivatives and forward exchange contracts to fair value	66	-	-
Total deferred tax asset	**49,702**	-	-

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

11.22 Inventories

	Group		Company
	2 May 2010	3 May 2009	2 May 2010
	£'000	£'000	£'000
Finished goods	21,130	17,563	-
Net inventories	**21,130**	**17,563**	**-**

Inventory write-downs for each period are as follows:

	Group		Company
	2 May 2010	3 May 2009	2 May 2010
	£'000	£'000	£'000
At start of period	917	45	-
Write downs	508	872	-
Utilised in period	(321)	-	-
Unused amounts reversed	(370)	-	-
Closing provision	**734**	**917**	**-**

11.0 Notes to the Combined and Consolidated Financial Statements

11.23 Trade and other receivables

	Group	Group	Company
	2 May 2010	3 May 2009	2 May 2010
	£'000	£'000	£'000
Trade receivables	10,574	6,833	-
Less provision for impairment of trade receivables	(1,037)	(444)	-
Net trade receivables	**9,537**	**6,389**	**-**
Other amounts due from related parties	-	1	1,212
Amounts due from members	-	-	-
Other receivables	2,116	135	320
Prepayments	4,720	2,758	-
Total trade and other receivables	**16,373**	**9,283**	**1,532**

Included in prepayments at 2 May 2010 is £3,970,000 (2009: £2,459,000) of prepaid rent and rates.

Included in other receivables at 2 May 2010 is £1,945,000 (2009: nil) of cash contributions receivable from landlords.

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.

The Group's trade receivables are summarised as follows:

	Group	Group	Company
	2 May 2010	3 May 2009	2 May 2010
	£'000	£'000	£'000
Not overdue or impaired	4,871	4,418	-
Overdue but not impaired	2,913	1,865	-
Impaired	2,790	550	-
Total trade receivables	**10,574**	**6,833**	**-**

It is not possible to analyse the credit quality of trade receivables that are neither past due, nor impaired, by reference to recognised credit scores. Management believes there are no significant recoverability issues with these financial assets based upon historical experience of default rates. The analysis of these trade receivables by reference to external credit ratings (if available) will be presented in subsequent periods.

11.0 Notes to the Combined and Consolidated Financial Statements

11.23 Trade and other receivables (continued)

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

	Group		Company
	2 May 2010	3 May 2009	2 May 2010
	£'000	£'000	£'000
Overdue 1-30 days	2,065	1,121	-
Overdue 31-60 days	815	569	-
Overdue 60 days +	33	175	-
Total trade receivables past due but not impaired	**2,913**	**1,865**	**-**

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

	Group		Company
	2 May 2010	3 May 2009	2 May 2010
	£'000	£'000	£'000
At start of period	444	388	-
Provision for receivables impairment	791	387	-
Receivables written off during the year as uncollectable	(139)	(195)	-
Unused amounts reversed	(59)	(136)	-
At end of period	**1,037**	**444**	**-**

At 2 May 2010, trade receivables of approximately £2,790,000 (2009: £550,000) were partially impaired. A provision of £1,037,000 (2009: £444,000) was recognised in full against the impaired trade receivables. The individually impaired receivables relate to the Wholesale segment.

11.24 Cash and cash equivalents

	Group		Company
	2 May 2010	3 May 2009	2 May 2010
	£'000	£'000	£'000
Cash at bank and in hand	29,359	777	15,026
Total cash and cash equivalents	**29,359**	**777**	**15,026**
Less: overdraft	(1,328)	(2,520)	-
Total cash and cash equivalents net of overdraft	**28,031**	**(1,743)**	**15,026**

Cash and cash equivalents comprise cash at bank with major United Kingdom and European clearing banks and earn floating rates of interest based upon bank base rates. On 8 October 2009 the Group entered into a balance offset agreement on the UK Sterling, Euro and US Dollar accounts. The Group had £27,458,000 (2009: overdraft) deposited with HSBC Bank Plc at 2 May 2010. The Moody's credit rating for HSBC Bank Plc is AA2.

11.0 Notes to the Combined and Consolidated Financial Statements

11.25 Borrowings

	Group		Company
	2 May 2010	3 May 2009	2 May 2010
	£'000	£'000	£'000
Non-current			
Loans from related parties	-	2,533	-
Finance lease liabilities	21	41	-
Total non current borrowings	**21**	**2,574**	**-**
Current			
Bank overdraft	1,328	2,520	-
Trade loans	-	1,924	-
Invoice factoring	-	942	
Finance lease liabilities	21	22	-
Total current borrowings	**1,349**	**5,408**	**-**
Total borrowings	**1,370**	**7,982**	**-**

Total borrowings include secured liabilities (bank and collateralised borrowings) of £1,370,000 at 2 May 2010 (3 May 2009: £5,499,000).

The loan from related parties was settled prior to the restructuring via Julian Dunkerton's members account.

The Group's borrowings mature as follows:

	Group		Company
	2 May 2010	3 May 2009	2 May 2010
	£'000	£'000	£'000
Within 1 year	1,349	5,408	-
Between 2 and 5 years	21	2,574	-
Total borrowings	**1,370**	**7,982**	**-**

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
	2 May 2010	3 May 2009	2 May 2010
	£'000	£'000	£'000
6 months or less	-	-	-
6-12 months	1,349	5,386	-
1-5 years	21	2,596	-
Over 5 years	-	-	-
Total borrowings	**1,370**	**7,982**	**-**

11.0 Notes to the Combined and Consolidated Financial Statements

11.25 Borrowings (continued)

The Group has the following undrawn borrowing facilities:

		Group	Company
	2 May 2010	3 May 2009	2 May 2010
	£'000	£'000	£'000
Floating rate:			
Expiring within one year	-	3,056	-

The effective interest rates at the balance sheet dates were as follows:

		Floating interest rates	Fixed interest rates
	UK £	Euro/Dollar	UK £
As at 2 May 2010			
Bank borrowing	HSBC base rate + 1.75%	HSBC base rate + 1.75%	-
Finance lease liabilities	-	-	5.7% - 10.8%
As at 3 May 2009			
Bank borrowing	HSBC base rate + 1% - 1.5%	HSBC base rate + 1% - 1.5%	-
Loans from related parties	HSBC base rate + 1.1%	-	-
Finance lease liabilities	-	-	5.7% - 10.8%

			Carrying amounts as at			Fair value as at
		Group	Company		Group	Company
	2 May 2010	3 May 2009	2 May 2010	2 May 2010	3 May 2009	2 May 2010
	£'000	£'000	£'000	£'000	£'000	£'000
Bank overdraft	1,328	2,520	-	1,328	2,520	-
Trade loan	-	1,924	-	-	1,924	-
Invoice factoring	-	942	-	-	942	-
Loans from related parties	-	2,533	-	-	2,533	-
Finance lease liabilities	42	63	-	42	63	-
Total borrowings	**1,370**	**7,982**	**-**	**1,370**	**7,982**	**-**

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.

11.0 Notes to the Combined and Consolidated Financial Statements

11.25 Borrowings (continued)

Bank borrowings

The bank facilities available with HSBC Bank plc to the Group were as follows:

	Group		Company
	2 May 2010	3 May 2009	2 May 2010
	£'000	£'000	£'000
Bank overdraft facility	-	4,500	-
Loans against imports	11,000	3,000	-

The facilities are secured by debentures comprising fixed and floating charges over all the assets and undertakings of the Group. The facility is due to expire in January 2011.

Loans from related parties

The loans from related parties in the prior year are from Cult Clothing Cheltenham Limited FURBS were not secured.

11.26 Trade and other payables

	Group		Company
	2 May 2010	3 May 2009	2 May 2010
	£'000	£'000	£'000
Non current			
Amounts due to retired members	-	182	-
Deferred cash contributions and rent free periods	16,528	4,591	-
Total non current trade and other payables	**16,528**	**4,773**	**-**
Current			
Trade payables	12,889	7,848	532
Taxation and social security	749	2,011	141
Payable to related parties	-	-	44
Other payables	651	133	451
Accruals and deferred income	5,185	1,030	260
Deferred cash contributions and rent free periods	2,006	617	-
Total current trade and other payables	**21,480**	**11,639**	**1,428**
Total trade and other payables	**38,008**	**16,412**	**1,428**

11.0 Notes to the Combined and Consolidated Financial Statements

11.26 Trade and other payables (continued)

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

		Group
	2 May 2010	3 May 2009
	£'000	£'000
Due within 1 – 2 years	2,006	617
Due within 2 – 5 years	5,969	1,768
Due greater than 5 years	8,553	2,206
Non current deferred cash contributions and rent free periods	**16,528**	**4,591**

11.27 Provision for other liabilities and charges

		Group	Company
	2 May 2010	3 May 2009	2 May 2010
	£'000	£'000	£'000
Dilapidations provision at the start of the period	28	-	-
Charge in period	789	28	-
Dilapidations provision at the end of the period	**817**	**28**	**-**

Dilapidations provisions are expected to be utilised within 12 months from 2 May 2010.

11.28 Contingencies and commitments

Legal proceedings

From time to time and in the normal course of business, claims against the Group are received, with a significant claim referred to below. On the basis of management estimates and both internal and external professional advice, it is not anticipated that any material losses will be incurred in respect of claims in excess of provisions that have been made in these financial statements.

Laundry Athletics LLP (DKH Retail Limited) is currently involved in a dispute between two of its manufacturers in Turkey and 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 100 million Euro 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 on the Group balance sheet.

11.0 Notes to the Combined and Consolidated Financial Statements

11.28 Contingencies and commitments (continued)

Capital expenditure commitments

		Group	Company
	2 May 2010	3 May 2009	2 May 2010
	£'000	£'000	£'000
Property, plant and equipment	591	240	-
Total capital expenditure commitments	**591**	**240**	**-**

The Group has already allocated the necessary resources in respect of these commitments. The Group believes that future net income and funding will be sufficient to cover these commitments.

Assets pledged and restricted

The HSBC borrowing facilities as at 2 May 2010 and 3 May 2009 are supported by a security package principally in the form of a debenture comprising fixed and floating charges over all the assets and undertakings of the Group.

Operating lease contingent liability

On 6 October 2009 Cult Retail LLP signed an operating lease agreeing to act as a guarantor to a related party (note 11.5) on a retail premises in Kildare, Ireland. The lease is for a period of two years and the annual operating lease commitment to which Cult Retail LLP could be liable is €79,400, plus a turnover linked element. As such a contingent liability exists as at 2 May 2010.

11.29 Operating lease commitments

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

			Land and buildings
		Group	Company
	2 May 2010	3 May 2009	2 May 2010
	£'000	£'000	£'000
Due within one year	11,478	4,834	-
Due in more than one year, but no more than five years	44,920	19,294	-
Due in more than five years	51,221	25,273	-
Total operating lease commitments	**107,619**	**49,401**	**-**

11.0 Notes to the Combined and Consolidated Financial Statements

11.29 Operating lease commitments (continued)

			Other
		Group	Company
	2 May 2010	3 May 2009	2 May 2010
	£'000	£'000	£'000
Due within one year	83	72	-
Due in more than one year, but no more than five years	106	116	-
Due in more than five years	-	-	-
Total operating lease commitments	**189**	**188**	**-**

11.30 Net cash/(debt)

Analysis of net cash/(debt) at 2 May 2010

				Group
	4 May 2009	Cash flow	Other non cash changes	2 May 2010
	£'000	£'000	£'000	£'000
Cash and short term deposits	777	28,592	(10)	29,359
Overdrafts	(2,520)	1,192	-	(1,328)
Cash and cash equivalents net of overdraft	**(1,743)**	**29,784**	**(10)**	**28,031**
Bank loans	(1,924)	1,924	-	-
Loan from related party	(2,533)	156	2,377	-
Finance lease liabilities	(63)	21	-	(42)
Revolving credit facility	(942)	942	-	-
Total net cash/(debt)	**(7,205)**	**32,827**	**2,367**	**27,989**

Analysis of net cash at 2 May 2010

				Company
	2 November 2009	Cash flow	Other non cash changes	2 May 2010
	£'000	£'000	£'000	£'000
Cash and short term deposits	-	15,026	-	15,026
Cash and cash equivalents net of overdraft and total net debt	**-**	**15,026**	**-**	**15,026**

11.0 Notes to the Combined and Consolidated Financial Statements

11.31 Financial risk management

The Group's activities expose it to a variety of financial risks including: market risk (including foreign currency risk, fair value interest rate risk, cash flow interest rate risk and price 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. Credit risk arises from cash and cash equivalents, as well as credit exposures to wholesale and 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 or by major credit cards. 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.

Foreign currency risk

The Group's foreign currency exposure arises from:

- forecast transactions (sales/purchases) denominated in foreign currencies; and
- monetary items (mainly cash and borrowings) denominated in foreign currencies.

The Group is mainly exposed to US Dollar and Euro currency risks. The Group's policy is to hedge a portion of foreign exchange risk associated with forecast 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 2 May 2010 and 3 May 2009, the Group had entered into a number of foreign exchange forward contracts to hedge part of the aforementioned translation risk. Any remaining amount remains un-hedged.

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.

At 2 May 2010 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 £61,000 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.

11.0 Notes to the Combined and Consolidated Financial Statements

11.31 Financial risk management (continued)

The Group has also entered into a currency agreement with a supplier to guarantee the supplier a minimum exchange rate on the Group purchases. This derivative is valued at fair value through the Group statement of comprehensive income.

The Group's foreign currency exposure is as follows:

				Group
		2 May 2010		3 May 2009
	US Dollar	Euros	US Dollar	Euros
	£'000	£'000	£'000	£'000
Financial assets				
Trade receivables	-	1,971	-	851
Cash and cash equivalents	1,489	252	344	88
Assets	**1,489**	**2,223**	**344**	**939**
Financial liabilities				
Borrowings	-	(1,328)	-	(942)
Liabilities	**-**	**(1,328)**	**-**	**(942)**
Net exposure	**1,489**	**895**	**344**	**(3)**

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 11.24 to 11.26.

11.0 Notes to the Combined and Consolidated Financial Statements

11.31 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.

Valuation hierarchy

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

			2 May 2010			3 May 2009
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	£'000	£'000	£'000	£'000	£'000	£'000
Asset						
Derivative financial instruments						
- forward foreign exchange contracts	-	103	-	-	-	-
Liabilities						
Derivative financial instruments						
- forward foreign exchange contracts	-	-	-	-	7	-
- foreign exchange agreement with supplier	-	337	-	-	322	-

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 of the close of business on 2 May 2010.

Fair value gain of £103,000 (2009: loss of £7,000) relating to the forward foreign exchange contracts has been recognised in other income.

The notional principal amount of the outstanding forward foreign exchange contracts at 3 May 2010 was £4,173,000 (2009: £1,824,000).

The level 2 valuation for the foreign exchange agreement with a supplier is derived from market exchange rate data and the loss included within cost of sales.

Derivative financial instruments

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

11.0 Notes to the Combined and Consolidated Financial Statements

11.31 Financial risk management (continued)

	Group		Company
	2 May 2010	3 May 2009	2 May 2010
	£'000	£'000	£'000
Forward foreign exchange contracts – held for trading			
Outflow	(1,863)	-	-
Inflow	2,310	1,824	-
Net derivative exposure	**447**	**1,824**	**-**

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.

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

	Group		Company
	2 May 2010	3 May 2009	2 May 2010
	£'000	£'000	£'000
Derivative financial assets			
Forward foreign exchange contracts	103	-	-
Total derivative financial assets	**103**	**-**	**-**

	Group		Company
	2 May 2010	3 May 2009	2 May 2010
	£'000	£'000	£'000
Derivative financial liabilities			
Forward foreign exchange contracts	-	7	-
Foreign exchange agreement with supplier	337	322	-
Total derivative financial liabilities	**337**	**329**	**-**

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.

11.0 Notes to the Combined and Consolidated Financial Statements

11.31 Financial risk management (continued)

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. 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 is calculated as 'equity' as shown in the consolidated balance sheet plus net debt. The Group is in a net cash position at 2 May 2010.

11.32 Share capital

Group	Number of shares	Value of shares (£'000)
3 May 2009	54,000,020	2,700
2 May 2010	79,000,020	3,950

Company	Number of shares	Value of shares (£'000)
2 May 2010	79,000,020	3,950

During the year the Company issued 79,000,020 Ordinary shares of 5p each for a total consideration of £3,950,001.

Under predecessor accounting the share capital at the restructuring date of 7 March 2010 has been reflected back to 3 May 2009. On 2 November 2009, the day the Company was incorporated, 100 Ordinary shares of £1 were issued. On 7 March 2010 270,000,000 Ordinary shares of £1 were issued. A capital reduction took place on 7 March 2010 reducing the nominal value of shares in issue on that date from £1 to 1p shares. A share consolidation then reduced the number of shares in issue of 270,000,100 1p shares to 54,000,020 5p shares. On 24 March 2010 25,000,000 Ordinary shares of 5p were issued.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