# SuperGroup ■ Plc

9 July 2015

**Full Year results for the year ended 25 April 2015[1] & First Quarter Trading Update**

SuperGroup Plc ('SuperGroup', 'Company' or 'Group'), owner of the Superdry brand, today announces Full Year results for 2015 together with a trading update for the first 10 weeks of the current financial year and a joint venture with Trendy International Group to access the Chinese market.

**FY15 FINANCIAL HIGHLIGHTS**

- Group revenue up 12.9% to £486.6m (2014: £430.9m)
- Group gross margin up 120 basis points to 60.9% (2014: 59.7%)
- Underlying[2] profit before tax up 2.0% to £63.2m (2014: £62.0m)
- Underlying[2] basic earnings per share of 59.1p (2014: 58.0p)
- Basic earnings per share of 56.1p (2014: 34.0p)
- Net cash generated from operations of £45.5m (2014: £77.9m)
- Year-end net cash[3] position £77.6m (2014: £86.2m)

**FY15 OPERATIONAL & STRATEGIC HIGHLIGHTS**

- Retail revenue up 17.0%; like-for-like sales growth[4] +4.8%
- Online participation of retail sales increased to 18.2%
- Wholesale revenue increased by 4.9%
- Exclusive rights acquired to distribute Superdry products in North America
- 82,000 sq. ft. of trading space opened increasing the EU retail portfolio to 715,000 sq. ft. (+13.0%)
- 28 new international franchised and licenced stores taking the total to 221 stores

**FY16 TRADING UPDATE[5]**

The Group has maintained the sales momentum achieved in the second half of the last financial year. Reflecting our continued store opening programme, total Retail revenues increased in the 10 week period by 34.5% year on year, with Retail like-for-like sales growth of +20.3% (2014: -4.9%).

This performance is against weak comparatives last year and falls within our lowest volume quarter. With strengthening comparatives in the balance of the year, we currently expect to deliver underlying profit in FY16 within the range of analyst expectations.

**Euan Sutherland, Chief Executive Officer, commented:**
"Despite a challenging start to FY15 the business made good progress in the second half of the year, delivering healthy sales growth, developing our infrastructure and continuing to advance our product range as we incorporate extensive customer insight into our design process.

The past year has seen substantial progress in building Superdry globally with continued expansion of our owned retail presence in Europe and the buy-back of the US licence. The joint venture in China with Trendy International Group, announced today, together with an extensive pipeline of new stores in our targeted European markets and continued momentum in e-commerce, provides confidence of continued long-term growth."

**Notes:**

1. Financial year 2015 covers the period 27 April 2014 to 25 April 2015 representing 364 days.

2. Underlying is defined as reported results adjusted to reflect the impact of exceptional items and re-measurements (and the related income tax where appropriate). The Directors believe that the underlying results provide additional guidance to statutory measures to help understand the performance of the Group.

3. Net cash includes cash and cash equivalents together with term deposits classified as an other financial asset.

4. Like-for-like sales ('LFL') growth is defined as the year-on-year sales growth for stores and concessions open for more than one year and include e-Commerce revenues. Foreign currency sales are translated at the average rate for the month in which they were made.

**5.** Key performance indicators for the 10 week trading period are outlined below:

| £m | **10 week period ended 4 July** | |
|---|---|---|
| | **FY16** | **FY15** |
| Total Retail Revenue | 60.8 | 45.2 |
| LFL (%) | +20.3% | (4.9)% |
| New Retail Space (sq.ft.) | 6,000 | 18,800 |
| Average Retail Space (sq.ft.) | 767,000* | 642,000 |

*Includes North America.

**6.** The trading comparatives for each quarter of FY15 are detailed below:

| **FY15** | **Q1** | **YOY** | **Q2** | **YOY** | **H1** | **YOY** | **Q3(*)** | **YOY** | **Q4(^)** | **YOY** | **FY15** | **YOY** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **£m** | **%** | **£m** | **%** | **£m** | **%** | **£m** | **%** | **£m** | **%** | **£m** | **%** |
| **Retail** | 60.4 | 13.6% | 71.2 | 11.6% | 131.6 | 12.5% | 126.5 | 19.9% | 76.0 | 20.6% | 334.1 | 17.0% |
| **LFL** | **-3.7%** | | **-4.2%** | | **-4.1%** | | **12.4%** | | **11.6%** | | **4.8%** | |
| **Wholesale** | 26.6 | 21.6% | 50.0 | -6.0% | 76.6 | 2.0% | 17.1 | 2.5% | 58.8 | 9.7% | 152.5 | 4.9% |
| **Group** | 87.0 | 15.9% | 121.2 | 3.6% | 208.2 | 8.4% | 143.6 | 17.5% | 134.8 | 15.6% | 486.6 | 12.9% |

(*) Represents 11 week trading period to 10 January 2015

(^) Represents 15 week trading period to 25 April 2015

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**Market Briefing**

Management will present these results today at 9.30am BST with a simultaneous webcast and teleconference.

The webcast can be accessed via www.supergroup.co.uk. Please click on the relevant link on the homepage or paste the following link in your web browser http://supergroup.emincote.com/results/2015prelims/.

The teleconference will be available on +44 (0)203 059 8125.

An archive of the webcast will be available shortly after the event.

**Cautionary Statement**

This announcement contains certain forward-looking statements with respect to the financial condition and operational results 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 made only as at the date of this announcement. Nothing in this announcement 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.

## Chairman's Statement

**Whilst our financial results fell short of the expectations that the Board and our shareholders had at the start of the year, I am confident that SuperGroup has finished the year in a much stronger position.**

The Board and management team have been strengthened significantly through a series of changes. Julian Dunkerton's decision to step aside from the role of Chief Executive Officer has allowed him, with James Holder, to focus fully on the continued development of the Superdry brand and the evolution of our ranges. This, together with the appointment of Euan Sutherland to that position last October, has brought a new dimension to the leadership of the business. The three are working extremely well together and the Board is delighted with the progress being made. Euan's move from his non-executive role provided the opportunity to appoint Penny Hughes to the Board in April this year. Penny brings a huge breadth of experience from a wide range of different businesses and boards. Since the year end we have confirmed Nick Wharton in the role of Chief Financial Officer. Nick, who had been covering the role on an interim basis since February, brings deep financial management skills as well as broad retail and business experience.

Susanne Given, Hans Schmitt, and Shaun Wills all left the Company during the year and I would like to thank them for the contributions they made to the development of SuperGroup.

Since becoming Chief Executive Officer, Euan has worked closely with Julian, James and the rest of the management team to develop a new strategic framework which was presented to analysts and investors in March. This has given a sharp focus on the strengths of the brand, the areas requiring improvement, and the most important growth opportunities. Central to this process was gaining a clearer understanding of the Superdry customer base, how it has evolved over time, and the actions required to embed the core brand values in the business and enhance and extend our ranges. This will enable us to meet one of our key strategic challenges of remaining relevant to our core customers.

We now have systems which are much more robust and fit for purpose. New merchandise management, point of sale, HR and finance systems were installed and bedded-in during the year providing platforms which will enable future growth and efficiencies.

On the international front we opened 40,000 square feet of retail space in Germany, while the buy-out of our US licence partner in March and the announcement in July of the joint venture with Trendy International Group in China also provide platforms for significant long-term growth in these three large and important markets.

The Board's confidence in the underlying strengths of the business and its potential for the future is indicated by the decision to announce a maiden dividend for 2016 and a progressive dividend policy. We believe that the commercial model of the business allows us both to invest in new growth opportunities and return cash to shareholders.

Good governance is essential in enabling us to realise our full potential and supports successful execution. We have thoroughly reviewed many aspects of the way that the Board, Board Committees, and the Executive Committee operate. A number of refinements and improvements have been made to ensure that management has clear authority to operate within the established creative and entrepreneurial culture, while being balanced by appropriate challenges, controls and rigorous decision-making processes. The Board evaluation confirmed that the Board is generally working well but noted that some improvements can be made.

SuperGroup has an ambitious and demanding strategy for growth and operational improvement. One of the most important priorities for us is to ensure that we have the people and organisation necessary to lead and manage the execution of our strategy. Whilst the last year has seen a number of changes to Board composition we will continue to review the skills, experience and diversity required to ensure the long- term success of our Company. Euan is continuing to build and develop the executive team and intends to put greater focus on talent management and succession planning throughout SuperGroup.

I would like to thank everyone who has worked so hard in the continued development of SuperGroup and all of our shareholders for your investment and support.

## Review of the Year

**Financial year 2015 ("*FY15*") was a game of two halves**

In 2014, we experienced the warmest autumn on record in the UK. These extremely mild weather conditions across Europe challenged all fashion retailers and hampered sales of autumn/winter products. This adversely impacted Group revenue in the first half.

However, in the second half our trading improved significantly as our promotional activities, necessary to address the level of inventory within the business, renewed focus on product with Julian in his new role, and improved processes began to gain traction.

We have been working tirelessly to professionalise our business, enabling it to withstand better the factors outside our control. Based on a better understanding of our customers and their needs, we have gained significant clarity on all aspects of our business and each part of the value chain, from the design stage of clothing and accessories to the logistics of getting our product to the right place at the right time in the right quantities.

This has allowed us to identify a number of improvements required in the business to enhance our customer offer, better communicate the appeal of the Superdry brand and ensure more efficient processes and controls. We are already seeing the benefits, notably from the increased collaboration between our sales channels – Wholesale and Retail (including e-commerce). Encouragingly, the momentum gained in the third quarter of FY15 has continued with growth in e-commerce sales accelerating and performance in our Wholesale business improving markedly as a consequence of the efficiency improvements we have made.

Overall, notwithstanding the challenges of the first half, we delivered healthy sales growth of 12.9% for the year and a 2.0% improvement in underlying profit before tax. With a clear understanding of our brand and customer, we can now drive forward and will continue to invest in our infrastructure, product, processes and people to deliver long-term, sustainable growth.

**Our four pillar strategy**

Our strategy is clear, grounded in a thorough understanding of our brand, customer and product.

**Embed.**

Our brand values for long-term sustainable growth

**Enable.**

Investment in people, systems and infrastructure

**Extend.**

Achieving growth potential in key categories

**Execute.**

Growth opportunities in new markets and online

To track and measure our progress we have identified a number of key performance indicators ("*KPIs*") as outlined in today's market presentation and in our soon to be published 2015 Annual Report. Our strategy is grounded in extensive research and data analysis which shows our brand is in good health in the UK and mainland Europe, and there are positive initial indications in the US. We have a much broader customer base than many, including ourselves, previously thought, which substantially increases our target market.

The two most exciting strategic developments, as we grew our global presence in FY15, was the buy-back of the US licence through the acquisition of assets from SDUSA LLC, and the collaboration with Idris Elba. More recently, we entered into a joint venture agreement with Trendy International Group, which will allow us to work with an established retail business based in China to enter the Chinese market in a controlled and managed way, without imposing significant organisational demand.

We are passionate about product innovation and, with the changes in management and investment in people we have made, our two founders are now able to focus on extending our product capability. Creating a series of perfect, icon products and continuous innovation ensures that the link between strong brand values and strong product attributes remains robust.

**The two key drivers of our growth are international expansion and improving efficiency**

**International expansion: European expansion, buy-back of the US licence and the joint venture in China**

The majority of future space growth in the near-term will come from mainland Europe, which is a market approximately five times the size of that in the UK, with our main focus on Germany, followed by Austria, Italy, Spain and Poland. Our European stores deliver excellent returns on capital with, on average, a two year payback. Looking at Germany in particular, we are pleased with the overall performance of the store portfolio especially given how young most of our stores are. We opened our first store in November 2012 and we plan to grow our presence from the 18 stores and six franchises we currently have to over 50 in the next five years.

In March 2015, we bought back the exclusive rights to sell and distribute Superdry products in the USA, Canada and Mexico ("*North America*") through the acquisition of assets from SDUSA LLC, our former licence partner. This follows the acquisitions of our Scandinavian, Spanish and German partners over the last 18 months.

Strategically, taking control of our product selection and enhancing our presence in North America is an important and natural step to realising our global ambition. It gives us the opportunity to enhance our brand and significantly build the long-term value of our business.

China is a very exciting market and forecast to overtake the US as the largest apparel and footwear market in the world. Customer tastes are evolving from luxury brands to brands influenced by “pop” culture and we believe that the Superdry brand, with the right product, pricing model and infrastructure, is well positioned to be successful. The most appropriate model for us to enter this market is to join forces with an established Chinese company and as such we have agreed a 10-year minimum 50:50 joint venture with Trendy International Group (subject to satisfactory performance). The operation will be funded by a combined investment of up to £18m though we anticipate that the joint venture will be self-funding within two years of operation. We will follow a measured roll-out programme with the day-to-day business operations managed by Trendy. Our involvement will be focused on strategic brand support, design services and marketing.

**Improving efficiency: Design to customer optimisation, supply chain wins and refining Wholesale**

The efficiency improvements we are making in the business primarily emerge from improvements to our design to customer process. As we optimise this process, we improve our speed to market and lower our costs. The improvements we are making are not ground-breaking initiatives and, to our benefit, many are practices already well proven in Retail. Some of the inefficiencies we identified include supplier over-concentration, not optimising direct sourcing, and committing to our buys too early leaving us with very little flexibility to adapt our product range later in the season. We also had different ranges for each of our routes to market with large discrepancies between the Wholesale and Retail ranges, and between different geographies.

To remedy these inefficiencies we will be increasing our direct sourcing over the next five years and will establish our own quality assurance teams in India and China this year. We have begun phasing our orders and deliveries, helping not only our stock and warehouse management but also providing in-season newness in our product offering – critical to the success of our womenswear range in particular. Our newly appointed womenswear category manager is providing a crucial link between design and merchandising, using the insight we have gained from our customer and competitor research and information from previous buys to help shape and improve the range. Ultimately, over the next two years, we will establish an integrated approach so that Wholesale products form the core of our range and become a subset of Retail, with e-commerce offering our complete product range. This integrated approach will drive even greater efficiencies and effectiveness through our organisation.

Over the last two or three years, we have made great strides in improving our distribution facilities and processes. ‘The Duke’ (the UK distribution centre) which houses product for Retail, Wholesale and e-commerce, situated in Burton-upon-Trent in the UK, opened in 2013. However, with most of our future growth expected to come from the EU, there is a need to simplify our stock movement plan. Ultimately we will establish ‘zonal fulfilment’ with each zone able to fulfil wholesale, retail and e-commerce in specific markets. That way we better manage and balance our stock and we are closer to and better able to support our growth plans in each market. The first step to achieving zonal fulfilment is a single view of our stock. As we move into 2016 and then into 2017, we will create a single pick face across Retail and e-commerce at the Duke in the first instance and then incorporate Wholesale. This model will be replicated in other parts of the world as we expand our business.

Our stores too will benefit from ongoing investment over the next five years. This will include investment in systems to automate our assortment and space planning, and a revised grading system where we will have category-specific grading driving enhanced product allocation to each store based on its size and historical sales profile.

The performance of our Wholesale channel has been restricted by limited investment in the past three years, an unnecessarily complex business model which did not leverage the Retail offer, and consolidation in the marketplace resulting in the loss of key accounts. With Wholesale now being better integrated into the rest of our business planning and processes, there are many opportunities, centred on the design to customer process, to achieve closer alignment between Retail and Wholesale so that, in time, we will have a single optimised structure for all routes to market.

**We have strengthened our team**

We acknowledge that the loss of key colleagues is one of our biggest potential risks. We have invested in our design and buying departments and strengthened our category management and merchandising systems so that the two founders are entirely focused on design and product. We are delighted that Paula Kerrigan will join us this Summer as Transformation Director and she will take responsibility for the Group’s key development activities and co-ordinate our business-wide change programme.

**Idris Elba collaboration**

Golden Globe winning actor Idris Elba is collaborating with Superdry to design and produce a premium line of clothing which will be sold globally in stores and online, as well as through Wholesale partnerships from Autumn/Winter 2015. This new collaboration is part of our strategy to create a global lifestyle brand, building on the iconic heritage of Superdry to broaden and strengthen customer appeal. Idris, who is designing the range with James Holder, will be the face of the line. This exciting collaboration will prompt consideration of our brand by new customers and is evidence of our commitment to innovation and the strengthening of our premium range.

## We have made good progress in our strategic objectives

**Embed: Innovative, British, premium lifestyle brand with global appeal.**
The first pillar of our strategy is to **EMBED** our founding principles and brand values, inspired by Julian and James, with every single colleague, every single store and online and in every country in which we operate so that there is a real understanding and appreciation of what our brand stands for. It is also about embedding the extensive knowledge of our customer into everything we do so that our customer feels valued and is loyal to Superdry.

**Our brand is about attitude**
Our brand is unique – it is an innovative, British, premium lifestyle brand with global appeal. It's accessible to everyone. It's a democratic brand. Our customer is not defined by age but rather by attitude.

**Our three point brand strategy**
There are three principal elements of our brand strategy:

**1 To build a global lifestyle brand**
This encompasses the product, brand and retail experience. A global lifestyle brand appeals to customers through all life stages and is a way of life rather than an individual product. A global lifestyle brand has longevity.

**2 To drive awareness of the breadth of the Superdry range**
As we constantly innovate our products, there is a need to ensure our existing and potential customers are aware of and buy into the breadth of our product range. This is particularly relevant for products for more mature customers and women, and will allow us to increase consideration and purchase across a broader customer spectrum.

**3 To build a broad cross-channel relationship with customers**
Our customers interact with us in a multi-channel environment (i.e. both in-store and online). A multi-channel customer is of significantly higher economic value to us and we therefore seek to provide a consistent multi-channel experience around the world.

Having a consistent brand proposition globally is key to our success. We will achieve consistency by working as one team, applying best practice in each market, using global brand icons to connect the customer with the brand, and leveraging our global capability in merchandising, range selection and a clear understanding of how we optimise retail space.

**Our four key product attributes**
There is a strong link between our brand values and our four product attributes, which are: design detail; quality obsession; end-to-end innovation from product through to stores; and affordability.

**Our target customer is not defined by age – it's their attitude.**

**Our customer is:**

- from a broad spectrum
- aspirational
- appreciative of style, quality and attention to detail
- focused on value for money, not price
- feeling amazing in what they wear

**Our customer profile**
We have completed both qualitative and quantitative customer research globally over the last 12 months, which has given us a greater understanding and insight into our customer demographics, their perception of Superdry and their buying behaviour.

**The three key findings are:**

**1 Superdry has broad democratic appeal and has consistent brand perception across the world**
**2 Superdry remains relevant in its core UK market**
**3 Opportunities exist to better communicate the breadth of our product and extend certain categories, in particular womenswear**

The qualitative insights we have gleaned show what customers think of Superdry. This evidences that Superdry is a strong brand with considerable democratic appeal. We are renowned for high-quality products and iconic styles often associated with big logos, but have developed to also produce clothing with more subtle branding. However, these qualitative insights also show that the brand is still perceived as being rather masculine and that womenswear has a narrower appeal to younger customers. This is a significant opportunity for us and will be a key focus over the coming year. There is also some mystery around the brand and whether it is Japanese, American or British.

We have embedded this research in our design process and range planning as well as our customer communication and identified a number of opportunities to improve and extend our product range.

**Enable: We remain focused on sourcing the best talent and optimising the design to customer process.**

The second pillar of our strategy is to **ENABLE** growth by continued investment in our colleagues, systems and infrastructure so that we drive more efficiency and greater profit opportunity as we grow our business.

**Our investment in our colleagues**
The entrepreneurial and innovative culture we inherited from our founders remains at the heart of our way of work. People at SuperGroup bring our brand to life and the success of our business is a direct result of the knowledge, skills, drive, passion and enthusiasm of our colleagues, wherever they are in the world. We believe this is due to the environment we have created where individuals can flourish and fulfil their potential.

We now employ in excess of 3,900 people across the UK, Europe, US and Asia. Colleague numbers will continue to increase as we grow the business. SuperGroup remains an attractive place to work and during the year we received more than 100,000 applications for roles and recruited in excess of 900 temporary workers to support Christmas 2014 peak trading.

We have further enhanced our suite of tools and learning opportunities to equip better colleagues to further the growth of our business. The demand for talent is ever greater and the ongoing review of our people across the business has enabled us to identify colleagues rich in our brand DNA, experience and skill set to support business development in new territories. This in turn provides colleagues with a more rewarding career. This review, conducted twice yearly, helps us to match future talent needs with existing talent in the business and supports our succession planning.

Our focus is on sourcing the best talent and following a strategy to develop people ahead of the business's growth curve. We conducted our first engagement survey in June 2015 to help identify ways in which we can further support our colleagues to be at their best more of the time.

**Systems and infrastructure**
We are continuously improving the efficiency of our business by optimising the design to customer process. This has been enabled by the substantial investment in our IT systems, including our transactional and internal business systems, over the past two years. The end of FY15 marked a significant change in emphasis for our IT, systems and infrastructure teams. With us now having derisked substantially our infrastructure, the emphasis is on business-as-usual activities and on leveraging the newly deployed systems. Investment in our systems, infrastructure and processes will continue as we move into more territories and extend product categories.

**The key system investments and improvements we have made this year to enhance our efficiency and the overall customer experience include:**

**1 Merchandise management system (Mercatus)**
One year after completing the implementation of the merchandise management system, we are now leveraging the benefits of this fully automated system for Retail and e-commerce to manage our stock across Europe. We have a much improved view of our stock and our allocation and in-store and warehouse management of product has therefore improved. This has also resulted in more accurate reporting of stock availability and we are using the data generated by this system to inform range planning and stock allocation.

**2 In-store point of sale system**
We began the roll out of a new in-store point of sale system at the beginning of the year. This involved converting all our stores and franchises from a legacy Eurostop system to BTE Store 6.3 and new point of sale hardware. The benefits have been greater consistency across our estate, more and faster payment facilities, and near real-time reporting of our sales figures.

**3 Financial system (Coda)**
Following a rigorous selection process, Coda was selected as the Group's core financial system to provide the multi-national and multi-currency capability necessary to support the Group's global expansion. The replacement programme started in August 2014 with the initial implementation completed successfully in the second half of the financial year. The current financial year will see further enhancements to the system.

**Extend: Significant opportunities exist for Superdry in just about every category other than male outerwear.**
Our third strategic pillar is to **EXTEND**, through innovation of our existing product categories and also through the development of new, complementary product ranges.

**Our product opportunities**
We are putting data-driven insight into action by developing our product offering and improving our category management. Historically, we have been well known for our male outerwear, and specifically the upper-half of the body. By focusing on the categories and the subcategories that we are developing, we will drive the next phase of growth.

Significant opportunities exist for Superdry in just about every category other than male outerwear, particularly in womenswear, premium and denim, but also in active sportswear, ski and footwear. Our premium range is being refreshed as part of the collaboration with Idris Elba and will launch as part of the Autumn/Winter 2015 range.

**Focusing on capturing the opportunity in womenswear**

We have made substantial improvements in our womenswear over the past five years; however, we have not yet fully captured the opportunity. We have relatively low market share other than in specific subcategories such as logo t-shirts and logo sweats, where we have been very successful. Knitwear, for example, accounts for the largest proportion of value and volume in womenswear in the UK, a category in which we are growing rapidly. Dresses and outerwear, a more valuable category due to a higher average selling price, are two subcategories on which we are focused using a data-driven approach by, for example, adjusting our hem lengths and extending our size and colour offering. We aim to maintain our position in our strongest categories such as the iconic logo products whilst simultaneously growing our market share in knitwear, outerwear, tops and shirts, and denim.

In addition to improving our womenswear offering, our improved category management and design to customer process will offer newness more frequently as we go through the seasons – this is key to the success of our womenswear.

**Execute: Forming a multi-channel relationship with our customers is vital.**

The fourth pillar of our strategy is **EXECUTE**, bringing together all elements of the first three pillars and expanding our business globally, online as well as in our Retail and Wholesale channels.

**Expanding our Retail estate in mainland Europe**

A key driver of our growth strategy is the expansion of our Retail estate which is predominantly focused in mainland Europe. Our core owned estate targets stores between 3,000 to 6,000 square feet in major city locations or prime locations in shopping malls. Over the next five years we will grow by following a clear and systematic approach through a mix of owned retail, franchise and wholesale. We continued to make good progress and opened 73,000 square feet of new space in mainland Europe, including a 10,000 square feet flagship store in Munich, in FY15 and now operate from 66 owned stores: 20 in Belgium, 18 in Germany, seven in the Netherlands, seven in France, four in Scandinavia, six in Austria, two in Italy and two in Spain, where we also opened a further five El Corte Ingles concessions. Together these stores equate to 162,000 square feet of trading space, an increase of 82% during the year representing 21% of our total Retail estate.

Looking forward, we see significant opportunity for new Retail space in both our key markets and new markets.

**The expansion of e-commerce continues**

The strong growth in e-commerce continued in FY15 in Europe and in the UK, with the rest of the world, where our greatest growth opportunity lies, also doing well. Forming a multi-channel relationship with our customers is vital as our research suggests that multi-channel customers spend about 2.6 times more with Superdry compared to single-channel customers; and secondly, the retention index amongst multi-channel customers is about 80% higher than it is for single-channel customers.

The two key building blocks of our e-commerce business are being global and being multi-channel. Our philosophy is to enable customers to order anywhere, on any device, using any payment method, and have their order delivered to wherever they choose. As such, through 25 fully localised sites (sites that offer local pricing, currency, payment methods, customer service hours and content, translated into 12 languages) we are a 'glocalised' e-commerce business. Our partner programme is another important driver generating incremental growth. This is where we offer our product for sale on third party retailer sites, giving us access to new customers and allowing us to expand where we already have a presence whilst controlling the brand experience. We have eight partner sites currently, the most recent additions being The Iconic in Australia, performing ahead of our expectations, and TMall.com in China, which launched in March 2015. Whilst our partner programme is currently a relatively small part of our e-commerce business (c. 7% of e-commerce revenue), it has the potential to grow rapidly.

A key market development, which commenced in the UK in 2015, was our click-and-collect offering, 'Superdry Collect', which allows customers to order up until 10pm and collect from 12 noon the next day in any of our UK stores. We have complemented this with iKiosk – our in-store ordering on an iPad Mini with an integrated chip and pin device. This bespoke App gives customers in-store access to the full range from Superdry.com helping us capture lost sales from items being out of stock. The combination of the iKiosk and Superdry Collect is incredibly powerful and we therefore hope to roll this out to more stores around the world this year.

**Outlook**

Having delivered a further year of revenue and profit growth despite challenging trading conditions in the first half, our focus remains on the growth of a global lifestyle brand through the extension of the Superdry brand and execution of clear Retail growth opportunities, underpinned by continued investment to strengthen our business.

We are well placed to continue this growth through a strong pipeline of new stores in our targeted European markets, good momentum in e-commerce, and the clear opportunity to further increase brand awareness through our collaboration with Golden Globe winning actor, Idris Elba.

**Euan Sutherland**
**Chief Executive Officer**
**8 July 2015**

# Finance Review

**These financial results reflect our strategy to establish Superdry as a global lifestyle brand by expanding the business globally through each of our three routes to market: Retail, e-commerce and Wholesale.**

### Introduction

We made good progress this year with total retail space increasing by 13% (21% inclusive of the USA) and e-commerce sales increasing by approximately 40%. Total sales grew by 12.9% over the year with, encouragingly, each channel also delivering positive like-for-like growth.

We continue to invest in our business to support future growth. Capital investment, totalled £41.2m (2014: £36.0m) including investment in new Retail space of £22.1m (2014: £26.9m) which required additional central resources to manage this increased scale. The development of our Group infrastructure remains a clear priority through the enhancement of our team capability and improved systems. At the end of the year, we terminated the US licence and purchased the assets of SDUSA LLC for total consideration of £22.5m.

The shape of our financial performance was very different in each half year. The first half of the year was impacted by unseasonably warm autumn weather conditions which resulted in Group Retail like-for-like sales (including e-commerce) decreasing by 4.1% and year on year profit before tax decreasing by 30.2%. The second half of the year saw a marked improvement in performance with significant increases in revenue and underlying operating profit.

### Group profit and loss

Group revenue for the year rose by 12.9% to £486.6m (2014: £430.9m), with revenue from newly opened and maturing Retail space contributing 8.2% of this growth. The Group gross margin rose 120 basis points to 60.9% (2014: 59.7%), reflecting the benefit of business acquisitions, sourcing and pricing gains, partially offset by a focused promotional programme designed to drive customer footfall during key trading periods and to reduce surplus inventory.

Group underlying operating margin declined by 120 basis points on last year to 13.1% (2014: 14.3%). Operating margins were broadly flat year on year in the second half, with operating performance being offset by continued infrastructure investment. The decline on a full year basis reflects the 330bps decline in the first half driven by significantly reduced sales volumes in that period.

Sales and distribution costs (which include costs associated with operating stores (including depreciation) and transporting products) totalled £197.4m (2014: £162.7m), an increase of 21.4%. These costs are primarily driven by our continuing store opening programme, where average Retail space increased by 17.1% during the year.

A number of business acquisitions were made in the second half of FY14, therefore FY15 carries the full year costs of our owned operations in Europe and Scandinavia that were previously operated as distributors. These costs represent c. 8% of the total increase in sales and distribution costs and are more than offset by an enhanced gross margin.

Against the benchmark of increased Retail space, store costs increased by 17.0%, and were flat year on year as a percentage of Retail sales. Distribution costs were also impacted by the increased participation of e-commerce, which carries higher unit delivery cost, our global expansion and the volume impact of the promotional activity. After the benefit of ongoing productivity gains delivered by the relocation of our UK distribution centre, distribution costs increased in the year by 30.2%, increasing as a percentage of sales by 100 basis points.

Central costs (which include the costs of operating our global operations teams and support functions, marketing costs and related depreciation) were £40.9m (2014: £37.8m), an increase of 8.1%, decreasing as a percentage of sales by 40 basis points. In addition, the Group continues to invest in key infrastructure, particularly in its merchandising, IT and design team and in new, more scalable and functional IT platforms to support future international expansion.

Underlying profit before income tax increased by 2% on the prior year to £63.2m (2014: £62.0m).

| | Underlying 2015 £m | Remeasure-ments £m | Exceptional costs £m | Reported 2015 £m |
|---|---|---|---|---|
| **Revenue:** | | | | |
| Retail | **334.1** | - | - | 334.1 |
| Wholesale | **152.5** | - | - | 152.5 |
| Group revenue | **486.6** | - | - | 486.6 |
| Gross profit | **296.2** | - | - | 296.2 |
| **Operating profit:** | | | | |
| Retail | **62.4** | 3.6 | (3.4) | 62.6 |
| Wholesale | **47.5** | 9.8 | (12.5) | 44.8 |
| Central costs | **(46.0)** | - | (1.2) | (47.2) |
| **Total operating profit** | **63.9** | 13.4 | (17.1) | 60.2 |
| Net finance expense – central costs | **(0.2)** | - | - | (0.2) |
| Share of loss of investment – central costs | **(0.5)** | - | - | (0.5) |
| **Profit before income tax:** | | | | |
| Retail | **62.4** | 3.6 | (3.4) | 62.6 |
| Wholesale | **47.5** | 9.8 | (12.5) | 44.8 |
| Central costs | **(46.7)** | - | (1.2) | (47.9) |
| Total profit before income tax | **63.2** | 13.4 | (17.1) | 59.5 |

**Underlying and reported profit**

Underlying is defined as reported results adjusted to reflect the impact of exceptional items and re-measurements (and the related income tax where appropriate). We believe that the underlying results provide additional guidance to statutory measures to help understand the performance of the Group. All references to underlying are after making these adjustments.

For FY15 those items relate to the following:

- the gain on financial derivatives of £13.4m;
- restructuring and reorganisation costs relating to head office of £2.7m;
- the termination of the US licence and acquisition of assets from SDUSA LLC of £14.9m;
- the acquisition of the Spanish and UK agents and Scandinavian distributor of £0.5m (gain).

**Our Retail division (including e-commerce)**

Reflecting the continued expansion of owned stores across the EU together with positive Group Retail like-for-like growth in the year of +4.8% (2014: +3.2%), our Retail division delivered revenue of £334.1m (2014: £285.5m), up 17.0% on the year. The Retail division now represents 69% of total Group revenue (2014: 66%) and added 82,000 square feet of space in the year through 28 store openings in 8 countries, including importantly 8 in Germany. Group Retail like-for-like sales were particularly fuelled by a strong e-commerce performance benefitting from enhancements to the on-site customer journey, delivery proposition improvements, the introduction of a greater number of localised (local language and check-out) sites and improved and widened product availability on our key partner sites.

The Retail division's operating profit in FY15 was £62.6m (2014: £49.2m). Underlying operating profit in the year was £62.4m (2014: £54.8m), up 13.9% on the year, and underlying operating profit margin was 18.7% (2014: 19.2%).

The operating margin decline reflects the net impact of adverse weather trends in the autumn, which initially dampened sales and necessitated promotional activity to clear excess stock, and the impact of foreign exchange fluctuations, partially offset by continued scale-led efficiencies within our store portfolio.

| **Retail division** | **2015 £m** | 2014 £m | Growth |
|---|---|---|---|
| External revenues | **334.1** | 285.5 | 17.0% |
| Underlying operating profit | **62.4** | 54.8 | 13.9% |
| Underlying operating margin (%) | **18.7%** | 19.2% | -50bps |
| Re-measurements | **3.6** | (2.0) | |
| Exceptional items | **(3.4)** | (3.6) | |
| **Retail operating profit** | **62.6** | 49.2 | 27.2% |

**Our Wholesale division**

Our Wholesale division delivered revenue of £152.5m, up 4.9% (2014: £145.4m), representing 31% of total Group revenue (2014: 34%). At the end of the year the Group had Wholesale operations in 69 countries through 212 (2014: 185) Superdry branded franchise stores and 9 (2014: 23) licensed stores.

Revenue growth in Wholesale was achieved mainly through territories outside Europe (rest of world) and clearance channels. Revenues within the UK were adversely impacted by the failure of a key customer, while revenues within Europe were reduced by the strengthening of sterling against the Euro. The rest of world has seen an increase in orders through the existing franchise partnership base opening new stores and the addition of new partnership deals.

| Wholesale revenue by territory | **2015 £m** | 2014 £m | Growth % |
|---|---|---|---|
| UK and Republic of Ireland | **31.6** | 31.9 | (0.9) |
| Europe | **87.3** | 86.5 | 0.1 |
| Rest of World | **25.9** | 20.6 | 25.7 |
| Clearance & other | **7.7** | 6.4 | 20.3 |
| **Total Wholesale revenue** | **152.5** | 145.4 | 4.9 |

Operating profit in the year was £44.8m (2014: £41.0m), whilst underlying operating profit was £47.5m (2014: £47.8m). Underlying operating margin was 31.1% (2014: 32.9%), a decline of 180 basis points year on year. This was predominantly due to the impact of currency, higher levels of bad debt and from higher customer returns driving increased supply chain costs.

| Wholesale division | **2015 £m** | 2014 £m | Growth |
|---|---|---|---|
| External revenues | **152.5** | 145.4 | 4.9% |
| Underlying operating profit | **47.5** | 47.8 | (0.6)% |
| Underlying operating profit margin % | **31.1%** | 32.9% | (180)bps |
| Re-measurements | **9.8** | (1.7) | |
| Exceptional items | **(12.5)** | (5.1) | |
| **Wholesale operating profit** | **44.8** | 41.0 | 9.3% |

**Taxation in the period**

Our income tax expense on underlying profit of £14.8m (2014: £14.9m) represents an effective tax rate of 23.4% (2014: 24.0%). This is higher than the statutory rate of 20.9% (2014: 22.8%) primarily due to the depreciation and amortisation of non-qualifying assets and non-allowable expenses.

The UK corporation tax rate reduction from 23% to 21% with effect from 1 April 2014 and the further reduction to 20% with effect from 1 April 2015.

During the year we paid £40m (2014: £49m) in UK taxes, which includes corporation tax, import duty, business rates, employer's national insurance and stamp duty.

In preparation for the listing of the business on the London Stock Exchange, a substantial reorganisation was undertaken with effect from 7 March 2010 and the Group's subsidiaries acquired net assets with a total fair value of £375m. Within this amount, £340m was identified as intangible assets and goodwill. In previous years we have highlighted the uncertainty around the tax deductibility of this goodwill arising and the related deferred tax asset. In October 2014 HMRC agreed the value of the intangibles held and accordingly the related deferred tax assets are now confirmed to be fully recoverable.

**Earnings per share**

Underlying basic earnings per share is 59.1p (2014: 58.0p), an increase of 1.9%.

Reported basic earnings per share is 56.1p (2014: 34.0p) based on a basic weighted average of 80,972,376 shares (2014: 80,580,959 shares). The increase in the basic weighted average number of shares is predominately due to 441,917 five pence ordinary shares being issued during February 2014 in accordance with the deferred contingent share consideration agreement following the acquisition of SuperGroup Europe BVBA in 2011. There was also an increase in share premium in the year of £0.2m in respect of 19,818 five pence ordinary shares issued as the first tranche of consideration following the buy-out of the German agency and franchise agreement in October 2013.

Underlying diluted earnings per share is 58.8p (2014: 57.2p) and diluted earnings per share is 55.8p (2014: 33.6p). These are based on a diluted weighted average of 81,370,944 (2014: 81,653,319) shares, with the reduction in the year arising from the cancellation of performance-related options granted under our performance share plan.

**Dividends**

We have kept our dividend policy under review since listing on the London Stock Exchange in 2010. We recently announced our intention to commence the payment of ordinary dividends with an interim dividend payment in FY16. The introduction of a dividend policy acknowledges our confidence in the Superdry brand as well as our ability to deliver sustainable profitable growth, cash generation and return on capital. The policy also recognises the significant range of investment opportunities available to us to grow shareholder value and provides flexibility for the organic and other opportunities that may require investment concentrated within a short time period.

Key parameters of our dividend policy are as follows:

- we intend to adopt a progressive dividend policy at a prudent earnings cover targeting 3.0x – 3.5x;
- we intend to adopt a dividend formula so that the interim dividend will be the equivalent of approximately one-third of the total dividend for the previous year; and
- if, over an extended period, excess capital has not been deployed, we will consider one-off returns to shareholders whilst maintaining flexibility through a positive cash balance.

**Cash flow, balance sheet and investments**

We remain financially strong and highly cash generative, retaining net cash balances (including cash equivalents and term deposits classified as an other financial asset) of £77.6m (2014: £86.2m) as at the end of the year after funding continued investment across our business and the buy-back of the US operations in March 2015.

Cash generated from operations of £45.5m is reduced versus the prior year (2014: £77.9m) due to increases in inventory levels beyond that required to support our increased operational scale through new stores and sales growth, together with a reduction in trade payables as more of our supply is arranged via direct relationships with suppliers.

Investment in inventories, trade receivables and trade payables increased by 42.4% during the year to £96.7m (2014: £67.9m) and as a proportion of Group revenue was 19.9% (2014: 15.8%). The increase was predominantly driven by the growth of the business, including the increase in the store portfolio, the working capital acquired in the USA and residual inventory from the Autumn /Winter 2014 trading conditions combined with earlier intake of Spring /Summer product. Inventory increased to £107.9m (2014: £77.8m), up 38.7% and trade payables were £51.2m (2014: £42.4m), an increase of 20.8% on the prior year, and represented 10.5% (2014: 9.8%) of Group revenue. Reflecting the improvement in the Wholesale business in the final quarter of the financial year, trade receivables (excluding prepayments and provisions) increased by 23.1% to £40.0m (2014: £32.5m) and were 8.2% (2014: 7.5%) of Group revenue.

We continue to review our supplier base in order to manage risk and meet growth expectations. During the year, the number of suppliers decreased to 58 (2014: 66) although several of these operate from multiple locations. Changes to sourcing in recent years have resulted in the supply base being focused in three principal territories: Turkey, China and India. The flexible sourcing model that we have adopted, in terms of both suppliers and territories, enables us to generate competitive tension between suppliers and de-risk our sources of supply.

There has been an increase in acquisitions and investments in property, plant and equipment and intangible assets to £41.2m (2014: £36.0m). This has been driven by the termination of the US licence, expenditure incurred in opening 94,000 (gross of closures) square feet of new Retail space, ongoing information technology investments and, recognising the strengthening of central capability and the ongoing centralisation of regional support functions, and the reconfiguration and expansion of our UK head office.

As at 25 April 2015, the net book value of property, plant and equipment was £72.3m (2014: £70.3m). During the year, £22.1m (2014: £26.9m) of capital additions were made, of which £13.0m (2014: £21.8m) relates to leasehold improvements across the Group relating to new stores. We continue to generate strong returns on these investments with the average payback from stores opened in the last three financial years anticipated to be 23 months. The balance is made up of furniture, fixtures and fittings (£5.1m) and computer equipment (£2.9m). Leasehold improvements , furniture and fittings and computers with a value of £4.9m were acquired as part of the business combination in the USA and Scandinavia.

Landlord contributions of £1.2m (2014: £4.6m) were received during the year and will be amortised over the length of the respective leases.

Intangible assets, comprising goodwill, lease premiums, distribution agreements, trademarks, the website and computer software, stood at £52.1m at the year end (2014: £46.7m). Acquisitions in the year resulted in £8.8m being added to intangibles.

| Current assets | | 2015 £m | 2014 £m | Growth % |
|---|---|---|---|---|
| Inventories | | **107.9** | 77.8 | 38.7 |
| Trade and other receivables | Trade receivables | **40.0** | 32.5 | 23.1 |
| | Other receivables/derivatives | **40.7** | 21.8 | 86.7 |
| Subtotal receivables | | **80.7** | 54.3 | 48.6 |
| Net cash [1] | | **77.6** | 86.2 | (10.0) |
| **Total current assets** | | **266.2** | 218.3 | 21.9 |
| Trade and other payables | Trade payables | **(51.2)** | (42.4) | (20.8) |
| | Other payables/derivatives/borrowings | **(41.6)** | (30.7) | 35.5 |
| **Total current liabilities** | | **(92.8)** | (73.1) | 26.9 |
| **Net current assets** | | **173.4** | 145.2 | 19.4 |
| **Working capital** | Inventories | **107.9** | 77.8 | 38.7 |
| | Trade receivables | **40.0** | 32.5 | 23.1 |
| | Trade payables | **(51.2)** | (42.4) | (20.8) |
| **Total working capital** | | **96.7** | 67.9 | 42.4 |

[1] Net cash includes cash and cash equivalent together with term deposits classified as an other financial asset.

**Robust financial management**

We believe that robust systems and business and monitoring processes allied to a culture of strong cost control are key to operating our business effectively and efficiently in both the short and long term. Significant improvements to business processes and financial controls have been made during the year, aided by the replacement of our core finance system and the roll out of process improvements related to the implementation of enhanced merchandise management systems at a store level. Furthermore, in line with best practice and other retail businesses, the Group has reviewed its contractual relationships with suppliers and can confirm that there are no complex supplier arrangements in place.

**Nick Wharton**
**Chief Financial Officer**
**8 July 2015**

**Group statement of comprehensive income.**

| | Note | Underlying 2015 £m | Remeasure-ments And exceptional items £m | Total 2015 £m | Underlying 2014 £m | Remeasure-ments and exceptional items £m | Total 2014 £m |
|---|---|---|---|---|---|---|---|
| Revenue | 3 | **486.6** | **–** | **486.6** | 430.9 | – | 430.9 |
| Cost of sales | | **(190.4)** | **–** | **(190.4)** | (173.6) | – | (173.6) |
| **Gross profit** | | **296.2** | **–** | **296.2** | 257.3 | – | 257.3 |
| Selling, general and administrative expenses - underlying | | **(238.3)** | **-** | **(238.3)** | (200.5) | - | (200.5) |
| - exceptional gains | 4 | **-** | **1.8** | **1.8** | - | - | - |
| - exceptional costs | 4 | **-** | **(18.9)** | **(18.9)** | - | (13.1) | (13.1) |
| Selling, general and administrative expenses | | **(238.3)** | **(17.1)** | **(255.4)** | (200.5) | (13.1) | (213.6) |
| Other gains and losses (net) | | **6.0** | **13.4** | **19.4** | 4.7 | (3.7) | 1.0 |
| **Operating profit** | 3 | **63.9** | **(3.7)** | **60.2** | 61.5 | (16.8) | 44.7 |
| Finance income | | **0.4** | **–** | **0.4** | 0.6 | – | 0.6 |
| Finance expense | | **(0.6)** | **–** | **(0.6)** | – | – | – |
| Share of loss of investment | | **(0.5)** | **–** | **(0.5)** | (0.1) | – | (0.1) |
| **Profit before income tax** | | **63.2** | **(3.7)** | **59.5** | 62.0 | (16.8) | 45.2 |
| Income tax expense | 5 | **(14.8)** | **1.3** | **(13.5)** | (14.9) | (2.5) | (17.4) |
| **Profit for the period** | | **48.4** | **(2.4)** | **46.0** | 47.1 | (19.3) | 27.8 |
| Attributable to: | | | | | | | |
| Owners of the Company | | **47.8** | **(2.4)** | **45.4** | 46.7 | (19.3) | 27.4 |
| Non-controlling interests | | **0.6** | **-** | **0.6** | 0.4 | – | 0.4 |
| | | **48.4** | **(2.4)** | **46.0** | 47.1 | (19.3) | 27.8 |
| Other comprehensive income net of tax: | | | | | | | |
| Items that may be subsequently reclassified to profit or loss | | | | | | | |
| Currency translation differences | | **(11.4)** | **–** | **(11.4)** | (0.8) | – | (0.8) |
| **Total comprehensive income for the period** | | **37.0** | **(2.4)** | **34.6** | 46.3 | (19.3) | 27.0 |
| Attributable to: | | | | | | | |
| Owners of the Company | | **36.4** | **(2.4)** | **34.0** | 45.9 | (19.3) | 26.6 |
| Non-controlling interests | | **0.6** | **–** | **0.6** | 0.4 | – | 0.4 |
| | | **37.0** | **(2.4)** | **34.6** | 46.3 | (19.3) | 27.0 |
| | | **pence per share** | | **pence per share** | pence per share | | pence per share |
| Earnings per share: | | | | | | | |
| Basic | 9 | **59.1** | | **56.1** | 58.0 | | 34.0 |
| Diluted | 9 | **58.8** | | **55.8** | 57.2 | | 33.6 |

Underlying is defined in note 3.

**Group balance sheet**

| | Note | **2015 £m** | 2014 £m |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 7 | **72.3** | 70.3 |
| Intangible assets | | **52.1** | 46.7 |
| Investments in subsidiaries | | **–** | – |
| Investments accounted for using the equity method | | **0.7** | 0.3 |
| Deferred income tax assets | 5 | **27.8** | 30.4 |
| Derivative financial instruments | | **0.7** | – |
| **Total non-current assets** | | **153.6** | 147.7 |
| **Current assets** | | | |
| Inventories | | **107.9** | 77.8 |
| Trade and other receivables | | **70.3** | 54.3 |
| Derivative financial instruments | | **10.4** | – |
| Other financial assets | | **10.0** | – |
| Cash and cash equivalents | 10 | **67.6** | 86.2 |
| **Total current assets** | | **266.2** | 218.3 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Borrowings | | **–** | 0.1 |
| Trade and other payables | | **79.8** | 58.9 |
| Current income tax liabilities | | **13.0** | 11.9 |
| Derivative financial instruments | | **–** | 2.2 |
| **Total current liabilities** | | **92.8** | 73.1 |
| **Net current assets/(liabilities)** | | **173.4** | 145.2 |
| **Non-current liabilities** | | | |
| Trade and other payables | | **28.0** | 28.9 |
| Provisions for other liabilities and charges | | **2.9** | 1.1 |
| Deferred income tax liabilities | | **0.9** | 1.6 |
| Derivative financial instruments | | **–** | 0.1 |
| **Total non-current liabilities** | | **31.8** | 31.7 |
| **Net assets** | | **295.2** | 261.2 |
| **EQUITY** | | | |
| Share capital | | **4.0** | 4.0 |
| Share premium | | **147.5** | 147.3 |
| Translation reserve | | **(12.7)** | (1.3) |
| Merger reserve | | **(302.5)** | (302.5) |
| Retained earnings | | **456.0** | 411.4 |
| Other reserves | 12 | **0.7** | 0.7 |
| **Equity attributable to the owners of the Company** | | **293.0** | 259.6 |
| Non-controlling interests | 12 | **2.2** | 1.6 |
| **Total equity** | | **295.2** | 261.2 |

## Group cash flow statement

| | Note | 2015 £m | 2014 £m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit/(loss) before income tax | | **59.5** | 45.2 |
| Adjusted for: | | | |
| – Depreciation of property, plant and equipment | | **21.3** | 19.1 |
| – Loss on disposal of property, plant and equipment | | **0.2** | 1.7 |
| – Proceeds on disposal of fixed assets | | **0.2** | 0.2 |
| – Amortisation of intangible assets | | **5.5** | 3.2 |
| – Share of loss of investment, net of dilution gain | | **0.3** | 0.1 |
| – Net impact of lease incentives | | **(2.2)** | 1.9 |
| – Finance income | | **(0.4)** | (0.6) |
| – Finance expense | | **0.6** | – |
| – Unrealised fair value (gain) /loss on derivative financial instruments | 4 | **(13.4)** | 3.7 |
| – Fair value loss on deferred contingent share consideration | 4 | **–** | 4.0 |
| – Long-term incentive plan | | **(0.8)** | 1.1 |
| – Impairment of plant, property and equipment | | **1.1** | – |
| Changes in working capital: | | | |
| – Increase in inventories | | **(25.7)** | (2.6) |
| – (Increase)/decrease in trade and other receivables | | **(16.4)** | (11.3) |
| – Increase in trade and other payables, and provisions | | **15.7** | 12.2 |
| **Cash generated from/(used in) operations** | | **45.5** | 77.9 |
| Interest received | | **0.4** | 0.6 |
| Tax paid | | **(10.9)** | (9.6) |
| **Net cash generated from operating activities** | | **35.0** | 68.9 |

| | Note | 2015 £m | Group 2014 £m |
|---|---|---|---|
| **Cash flow from investing activities** | | | |
| Acquisitions (net of cash acquired) | 11 | **(13.9)** | (2.2) |
| Purchase of property, plant and equipment | | **(22.1)** | (26.9) |
| Purchase of intangible assets | | **(5.2)** | (6.9) |
| Purchase of investments/associates | | **(10.7)** | (0.4) |
| **Net cash used in investing activities** | | **(51.9)** | (36.4) |
| **Cash flow from financing activities** | | | |
| Repayment of borrowings | | **(0.1)** | (0.3) |
| **Net cash used in financing activities** | | **(0.1)** | (0.3) |
| **Net (decrease)/ increase in cash and cash equivalents** | 10 | **(17.0)** | 32.2 |
| Cash and cash equivalents, net of overdraft, at beginning of period | | **86.2** | 54.5 |
| Exchange losses on cash and cash equivalents | | **(1.6)** | (0.5) |
| **Cash and cash equivalents at end of period, net of overdraft** | 10 | **67.6** | 86.2 |

**Group statements of changes in equity**

| Group | Note | Share capital £m | Share premium £m | Translation reserve £m | Merger reserve £m | Retained earnings £m | Other reserves £m | Total £m | Non-controlling interests £m | Total equity £m |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Attributable to owners of the Company | | | | | | |
| **Balance at 28 April 2013** | | **4.0** | **140.1** | **(0.5)** | **(302.5)** | **382.4** | **–** | **223.5** | **0.4** | **223.9** |
| Comprehensive income | | | | | | | | | | |
| Profit for the period | | – | – | – | – | 27.4 | – | 27.4 | 0.4 | 27.8 |
| Other comprehensive income | | | | | | | | | | |
| Currency translation differences | | – | – | (0.8) | – | – | – | (0.8) | – | (0.8) |
| **Total other comprehensive income** | | **–** | **–** | **(0.8)** | **–** | **–** | **–** | **(0.8)** | **–** | **(0.8)** |
| **Total comprehensive income for the period** | | **–** | **–** | **(0.8)** | **–** | **27.4** | **–** | **26.6** | **0.4** | **27.0** |
| Transactions with owners | | | | | | | | | | |
| Employee share award scheme | 11 | – | – | – | – | 1.1 | – | 1.1 | – | 1.1 |
| Deferred tax – employee share award scheme | | – | – | – | – | 0.5 | – | 0.5 | – | 0.5 |
| Shares issued | 32 | – | 7.2 | – | – | – | – | 7.2 | – | 7.2 |
| Reserves arising on business combination | 34 | – | – | – | – | – | 0.7 | 0.7 | 0.8 | 1.5 |
| **Total transactions with owners** | | **–** | **7.2** | **–** | **–** | **1.6** | **0.7** | **9.5** | **0.8** | **10.3** |
| **Balance at 26 April 2014** | | **4.0** | **147.3** | **(1.3)** | **(302.5)** | **411.4** | **0.7** | **259.6** | **1.6** | **261.2** |
| Comprehensive income | | | | | | | | | | |
| Profit for the period | | – | – | – | – | 45.4 | – | 45.4 | 0.6 | 46.0 |
| Other comprehensive income | | | | | | | | | | |
| Currency translation differences | | – | – | (11.4) | – | – | – | (11.4) | – | (11.4) |
| **Total other comprehensive income** | | **–** | **–** | **(11.4)** | **–** | **–** | **–** | **(11.4)** | **–** | **(11.4)** |
| **Total comprehensive income for the period** | | **–** | **–** | **(11.4)** | **–** | **45.4** | **–** | **34.0** | **0.6** | **34.6** |
| Transactions with owners | | | | | | | | | | |
| Employee share award scheme | 11 | – | – | – | – | (0.8) | – | (0.8) | – | (0.8) |
| Deferred tax – employee share award scheme | | – | – | – | – | – | – | – | – | – |
| Shares issued | 32 | – | 0.2 | – | – | – | – | 0.2 | – | 0.2 |
| **Total transactions with owners** | | **–** | **0.2** | **–** | **–** | **(0.8)** | **–** | **(0.6)** | **–** | **(0.6)** |
| **Balance at 25 April 2015** | | **4.0** | **147.5** | **(12.7)** | **(302.5)** | **456.0** | **0.7** | **293.0** | **2.2** | **295.2** |

**Selected notes to the Group Financial Statements**

**1. Basis of preparation**

The financial information contained in this announcement, which does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006, has been derived from the audited statutory accounts for the 52 weeks ended 25 April 2015 ("2015") (2014: 51 weeks and 6 days ended 26 April 2014 ("2014")). The statutory accounts for the 52 weeks ended 25 April 2015 will be filed with the Registrar of Companies in due course. The independent auditors' report on these accounts is unqualified and does not contain any statements under s.498 (2) or (3) of the Companies Act 2006.

**2. Significant accounting policies**

**New accounting pronouncements**

The following new or recent standards, interpretations and amendments to standards have been adopted by the Group where appropriate or applicable to the Group for the financial year beginning 27 April 2014:

- There were no new standards, interpretations or amendments to standards that are effective to the Group for the financial year beginning 27 April 2014 that have a material impact.
- IAS 36 (Amended), 'Impairment of assets' removed certain disclosures of the recoverable amount of CGUs which had been included by the issue of IFRS 13.

**New standards and interpretations issued but not yet effective**

At the balance sheet date there are a number of new standards and amendments to existing standards in issue but not yet effective including IFRS 15 'Revenue from contracts with customers' which is effective for periods beginning on or after 1 January 2017 and IFRS 9 'Financial Instruments', which is effective for periods beginning on or after 1 January 2018. The Group has not early adopted any of these new standards or amendments to existing standards. The Group is currently assessing the impact of IFRS 9 and IFRS 15. There are no other new standards, amendments to existing standards or interpretations that are not yet effective that would be expected to have a material impact on the Group.

**3. Segment information**

The Group's operating segments under IFRS 8 have been determined based on the reports reviewed by the Group's Chief Operating Decision-Maker (Executive Committee members: "the CODM"). The CODM assesses the performance of the operating segments based on profit before income tax, before inter-segment royalties. The CODM considers the business from a customer perspective only, being Retail and Wholesale. The CODM reviews the balance sheet at a Group level. No separate balance sheet measures are provided between the Retail and Wholesale segments.

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

- Retail – principal activities comprise the operation of UK, Republic of Ireland, European and USA stores, concessions and all internet sites. Revenue is derived from the sale to individual consumers of own brand and third party clothing, footwear and accessories.
- Wholesale – principal activities comprise the ownership of brands, wholesale distribution of own brand products (clothing, footwear and accessories) worldwide and trade sales.

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The Group reports and manages central functions separately to the Retail and Wholesale operations, which includes design, finance, HR, IT, legal, marketing, merchandising, property, sourcing and the goodwill and intangibles arising on consolidation.

The revenue from external parties reported to the Board is measured in a manner consistent with that of the IFRS financial statements.

Inter-segment royalties, transfers or transactions entered into under a cost plus pricing structure are not reflected in the performance of each business segment.

Segmental information for the business segments of the Group for April 2015 and April 2014 is set out below:

| | Retail | Wholesale | Central costs | Group |
|---|---|---|---|---|
| | 2015 | 2015 | 2015 | 2015 |
| | £m | £m | £m | £m |
| Total segment revenue | 344.4 | 163.9 | – | 508.3 |
| Less: inter-segment revenue | (10.3) | (11.4) | – | (21.7) |
| **Revenue from external customers** | 334.1 | 152.5 | – | 486.6 |
| Finance income | – | – | 0.4 | 0.4 |
| Finance Expense | – | – | (0.6) | (0.6) |
| **Profit/(loss) before income tax** | 62.6 | 44.8 | (47.9) | 59.5 |

The following additional information is considered useful to the reader:

| | **Underlying 2015 £m** | **Re Measure-ments £m** | **Exceptional costs £m** | **Reported 2015 £m** |
|---|---|---|---|---|
| **Revenue** | | | | |
| Retail | **334.1** | **–** | **–** | **334.1** |
| Wholesale | **152.5** | **–** | **–** | **152.5** |
| **Total revenue** | **486.6** | **–** | **–** | **486.6** |
| Gross profit | **296.2** | **–** | **–** | **296.2** |
| **Operating profit** | | | | |
| Retail | **62.4** | **3.6** | **(3.4)** | **62.6** |
| Wholesale | **47.5** | **9.8** | **(12.5)** | **44.8** |
| Central costs | **(46.0)** | **–** | **(1.2)** | **(47.2)** |
| **Total operating profit/(loss)** | **63.9** | **13.4** | **(17.1)** | **60.2** |
| Net finance expense – Central costs | **(0.2)** | **–** | **–** | **(0.2)** |
| Share of loss of investment – Central costs | **(0.5)** | **–** | **–** | **(0.5)** |
| **Profit/(loss) before income tax** | | | | |
| Retail | **62.4** | **3.6** | **(3.4)** | **62.6** |
| Wholesale | **47.5** | **9.8** | **(12.5)** | **44.8** |
| Central costs | **(46.7)** | **–** | **(1.2)** | **(47.9)** |
| **Total profit/(loss) before income tax** | **63.2** | **13.4** | **(17.1)** | **59.5** |

Underlying is defined as reported results adjusted to reflect the impact of the gain/loss recognised on re-measurements (being the fair valuation of deferred contingent share consideration and financial derivatives), exceptional items and, when appropriate, the related income tax. The directors believe that the underlying results provide additional guidance to statutory measures to help understand the performance of the Group. Further details of the adjustments are included in note 4. All references to underlying are after making these adjustments. Retail and Wholesale segments are presented before inter-segment royalties.

| | Retail 2014 £m | Wholesale 2014 £m | Central costs 2014 £m | Group 2014 £m |
|---|---|---|---|---|
| Total segment revenue | 295.4 | 165.3 | – | 460.7 |
| Less: inter-segment revenue | (9.9) | (19.9) | – | (29.8) |
| **Revenue from external customers** | 285.5 | 145.4 | – | 430.9 |
| Finance income | – | – | 0.6 | 0.6 |
| **Profit/(loss) before income tax** | 49.2 | 41.0 | (45.0) | 45.2 |

The following additional information is considered useful to the reader:

| | Underlying 2014 £m | Re Measure-ments £m | Exceptional costs £m | Reported 2014 £m |
|---|---|---|---|---|
| **Revenue** | | | | |
| Retail | 285.5 | – | – | 285.5 |
| Wholesale | 145.4 | – | – | 145.4 |
| **Total revenue** | 430.9 | – | – | 430.9 |
| Gross profit | 257.3 | – | – | 257.3 |
| **Operating profit** | | | | |
| Retail | 54.8 | (2.0) | (3.6) | 49.2 |
| Wholesale | 47.8 | (1.7) | (5.1) | 41.0 |
| Central costs | (41.1) | (4.0) | (0.4) | (45.5) |
| **Total operating profit/(loss)** | 61.5 | (7.7) | (9.1) | 44.7 |
| Net finance income – Central costs | 0.6 | – | – | 0.6 |
| **Profit/(loss) before income tax** | | | | |
| Retail | 54.8 | (2.0) | (3.6) | 49.2 |
| Wholesale | 47.8 | (1.7) | (5.1) | 41.0 |

| | Underlying 2014 £m | Re Measure-ments £m | Exceptional costs £m | Reported 2014 £m |
|---|---|---|---|---|
| Central costs | (40.6) | (4.0) | (0.4) | (45.0) |
| **Total profit/(loss) before income tax** | 62.0 | (7.7) | (9.1) | 45.2 |

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

| | **2015 £m** | 2014 £m |
|---|---|---|
| External revenue – UK | **285.0** | 254.8 |
| External revenue – Europe | **167.0** | 150.7 |
| External revenue – Rest of world | **34.6** | 25.4 |
| **Total external revenue** | **486.6** | 430.9 |

Included within external revenue overseas is revenue of £77.5m (2014: £45.2m) generated by our overseas subsidiaries.

The total of non-current assets, other than deferred income tax assets, located in the UK is £70.8m (2014: £71.2m), and the total of non-current assets located in other countries is £55.0m (2014: £46.1m).

**4. Re-measurements and exceptional adjustments**

Non-underlying adjustments constitute the fair value re-measurement of foreign exchange contracts and deferred contingent share consideration, and exceptional items. Exceptional items are defined as being items that are material in size, unusual or infrequent in nature, and are disclosed separately as exceptional items in the Group statement of comprehensive income.

| | **2015 £m** | 2014 £m |
|---|---|---|
| **Re-measurements:** | | |
| Deferred contingent share consideration | **–** | (4.0) |
| Gain on financial derivatives | **13.4** | (3.7) |
| **Exceptional items:** | | |
| Gain arising on US business combination | **1.0** | – |
| Buy out of Spanish and UK agents | **0.8** | – |
| | **1.8** | – |
| **Exceptional gains** | | |
| Buy-out of USA licence and business combination costs: | | |
| - loss on pre-existing relationship with US | **(12.4)** | – |
| - onerous lease provision costs | **(1.8)** | – |
| - impairment of store assets acquired | **(1.1)** | – |
| - costs incurred in the buy out and business combination | **(0.6)** | – |
| Restructuring costs | **(2.7)** | – |
| Acquisition of distributor | **(0.3)** | – |
| Set-up costs regarding the Retail distribution centre | **–** | (3.4) |
| Buy out of Spanish and UK agents | **–** | (3.3) |
| Buy-out of German agent and business combination costs | **–** | (2.4) |
| **Exceptional costs** | **(18.9)** | (9.1) |
| **Re-measurements and exceptional items** | **(3.7)** | (16.8) |
| **Taxation:** | | |
| Tax impact of non-underlying adjustments | **0.7** | 1.8 |
| Deferred income tax – exceptional (note 14) | **0.6** | (4.3) |
| **Taxation on non-underlying adjustments** | **1.3** | (2.5) |
| **Total non-underlying adjustments** | **(2.4)** | (19.3) |
| **Re-measurements and exceptional items are included within:** | | |
| Selling, general and administrative expenses | **(17.1)** | (13.1) |
| Other gains and losses | **13.4** | (3.7) |
| **Re-measurements and exceptional items** | **(3.7)** | (16.8) |

**Re-measurements**

**a) Fair value re-measurement of deferred share consideration**

The SuperGroup Europe BVBA acquisition in February 2011 included two tranches of deferred contingent share consideration to be issued on the second and third anniversaries of the acquisition. The consideration was payable in shares, and the shares were issued in proportion to the percentage completion of certain sales and store number targets. The fair value of these shares at the acquisition date was £10.3m.

IFRS 3 (revised) requires deferred contingent share consideration to be re-measured at each period end to reflect the estimated percentage completion of the targets and change in share price. The share price movement from £7.36 at April 2013 to £16.10 in February 2014, the date the shares were issued on the third anniversary of the acquisition, increased the liability by £4.0m.

**b) Unrealised loss/gain on financial derivatives**

Unrealised loss/gain on derivatives is recognised as a re-measurement.

**Exceptional items**

**aa) Buy-out of USA licence and business combination costs**

On 25 March 2015 the Group completed a business combination (see note 11) in the USA including the acquisition of trade and assets of 15 Superdry branded stores. As part of the business combination a payment was made to terminate the license rights to distribute the Superdry products in North America for £12.4m. The consideration paid for assets acquired was lower than the assumed provisional fair value of those assets resulting in a £1.0m gain. A post-acquisition review of the current and forecast trading performance, and assets of the stores resulted in an onerous lease provision charge of £1.8m, an impairment of assets of £1.1m. In addition £0.6m of other related costs, including professional fees, were incurred prior to acquisition.

**ab) Buy-out of Spanish and UK agents**

£0.8m of the deferred contingent consideration and accrued costs for the buy-out of the Spanish and UK agents in 2014 has been released as the amount is no longer deemed payable given that the contingent criteria were not met.

**ac) Restructuring**

During the period restructuring and redundancy costs totalled £2.7m (2014: £nil). These costs relate to a strategic realignment of management responsibilities.

**ad) Acquisition of SMAC**

On 27 June 2014 the Group completed a business combination (see note 11) and acquisition costs of £0.3m were incurred.

**ae) Set-up costs regarding the Retail distribution centre**

On 15 April 2013 the Group announced that the Gloucester Retail and e-commerce distribution centres would close and the activities be moved to a site in Burton-upon-Trent. In 2014 £3.4m of set-up and dual running costs and write-off of assets was recognised.

## 5. Income tax expense

The income tax expense comprises:

| | | Group |
|---|---|---|
| | **2015** | 2014 |
| | **£m** | £m |
| **Current income tax** | | |
| – UK corporation tax charge for the period | **11.0** | 11.7 |
| – Adjustment in respect of prior periods | **(0.5)** | (0.2) |
| Overseas tax | **1.5** | 2.1 |
| **Total current income tax** | **12.0** | 13.6 |
| **Deferred income tax** | | |
| – Origination and reversal of temporary differences | **2.3** | (0.6) |
| – Adjustment in respect of prior periods | **(0.2)** | 0.1 |
| Exceptional income tax expense | **(0.6)** | 4.3 |
| **Total deferred income tax** | **1.5** | 3.8 |
| **Total income tax expense** | **13.5** | 17.4 |

The income tax expense on underlying profit is £14.8m (2014: £14.9m). The income tax credit on non-underlying and exceptional items is £0.7m (2014: £1.8m credit) and the exceptional income tax credit is £0.6m (2014: £4.3m expense), so the net position being disclosed as an exceptional tax credit in the period is £1.3m.

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

| | **2015** | 2014 |
|---|---|---|
| | **£m** | £m |
| **Profit before income tax** | **59.5** | 45.2 |
| Profit multiplied by the standard rate in the UK – 20.9% (2014: 22.8%) | **12.4** | 10.3 |
| Expenses not deductible for tax purposes | **2.5** | 1.1 |
| Fair value movement of deferred contingent share consideration | **–** | 0.9 |
| Overseas tax differentials | **(0.7)** | – |
| Non-qualifying additions | **0.4** | 1.0 |
| Adjustment in respect of prior years | **(0.5)** | (0.2) |
| **Total income tax expense excluding exceptional items** | **14.1** | 13.1 |
| Exceptional income tax expense | **(0.6)** | 4.3 |
| **Total income tax expense including exceptional items** | **13.5** | 17.4 |

In addition to the above tax charged to the income statement, there was a tax credit to equity of £nil m (2014: £0.5m) in respect of deferred tax relating to employee share schemes.

Net deferred income tax movement is as follows:

| | **2015** | 2014 |
|---|---|---|
| | **£m** | £m |
| Opening net deferred income tax | **(28.8)** | (32.0) |
| Charged to the statement of comprehensive income | | |
| – Accelerated capital allowances | **(1.1)** | (1.0) |
| – Movement on goodwill and intangibles – change in corporation tax rate | **1.7** | 3.7 |
| – Movement on goodwill and intangibles – other | **–** | 2.8 |
| – Other temporary differences | **(1.4)** | (1.0) |
| – Revaluation of derivatives and forward exchange contracts | **2.7** | (0.8) |
| – Employee share award scheme included in equity | **–** | (0.5) |
| **Closing net deferred income tax (note 21)** | **(26.9)** | (28.8) |

Included within note 4 is an exceptional tax credit of £0.6m (2014: £4.3m), of which £0.1m (2014: £3.7m) relates to the impact of the tax rate change on goodwill and intangibles and a tax credit of £0.8m (2014 £nil) relates to the recognition of a deferred tax asset following agreement with the Irish Revenue on the relief for Intellectual Property created as part of the March 2010 reorganisation. The remainder of £0.1m tax charge (2014: £0.6m) is included within other movements such as accelerated capital allowances and temporary differences.

The Group's income tax expense on underlying profit of £14.8m represents an effective tax rate of 23.4% for the period ended 25 April 2015. The Group's underlying effective tax rate of 23.4% is higher than the statutory rate of 20.9%, primarily due to depreciation of non-qualifying assets and non-allowable expenses.

### 6. Dividends

No dividends were paid in the year, and no dividends will be proposed at the Annual General Meeting on 9 September 2015 (2014: £nil).

### 7. Property, plant and equipment

The Group made improvements to leasehold buildings and acquired fixtures and fittings and computer equipment at a total cost of £22.1m during the 52 weeks ended 25 April 2015 (£26.9m for the 51 weeks and 6 days ended 26 April 2014). The Group also acquired £4.9m of fixtures and fittings as part of the business combination in the USA and Scandinavia.

### 8. Capital expenditure commitments

The Group is committed to capital expenditure on property, plant and equipment of £2.9m as at 25 April 2015 (£2.4m as at 26 April 2014).

## 9. Earnings per share

| | **2015** | 2014 |
|---|---|---|
| | **£m** | £m |
| **Earnings** | | |
| Profit for the period attributable to owners of the Company | **45.4** | 27.4 |
| | **No.** | No. |
| Number of shares at year end | **80,984,973** | 80,961,378 |
| Weighted average number of ordinary shares – basic | **80,972,376** | 80,580,959 |
| Effect of dilutive options and contingent shares | **398,588** | 1,072,360 |
| Weighted average number of ordinary shares – diluted | **81,370,944** | 81,653,319 |
| **Basic earnings per share (pence)** | **56.1** | 34.0 |
| **Diluted earnings per share (pence)** | **55.8** | 33.6 |

**Underlying basic earnings per share:**

| | **2015** | 2014 |
|---|---|---|
| | **£m** | £m |
| **Earnings** | | |
| Underlying profit for the period attributable to the owners of the Company | **47.8** | 46.7 |
| | **No.** | No. |
| Weighted average number of ordinary shares – basic | **80,972,376** | 80,580,959 |
| Weighted average number of ordinary shares – diluted | **81,370,944** | 81,653,319 |
| **Underlying basic earnings per share (pence)** | **59.1** | 58.0 |
| **Underlying diluted earnings per share (pence)** | **58.8** | 57.2 |

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

Underlying is defined as reported results adjusted to reflect the impact of the gain/loss recognised on re-measurements (being the fair valuation of deferred contingent share consideration and financial derivatives), exceptional items and, when appropriate, the related income tax. The directors believe that the underlying results provide additional guidance to statutory measures to help understand the performance of the Group. Further details of the adjustments are included in note 4. All references to underlying are after making these adjustments. Retail and Wholesale segments are presented before inter-segment royalties.

## 10. Net cash

**Analysis of net cash**

| | 2014 | Cash flow | Non-cash changes | **2015** |
|---|---|---|---|---|
| | £m | £m | £m | **£m** |
| Cash and short-term deposits | 86.2 | (17.0) | (1.6) | **67.6** |
| **Cash and cash equivalents net of overdraft** | 86.2 | (17.0) | (1.6) | **67.6** |
| Other loans | (0.1) | 0.1 | – | **–** |
| **Total net cash** | 86.1 | (16.9) | (1.6) | **67.6** |

## 11. Business combinations

**SMAC**

On 27 June 2014 the Group acquired the share capital of its long-term distributor, the SMAC A/S, SMAC Norge A/S and SMAC Retail A/S former distributors in Denmark, Finland and Norway. As part of the transaction the pre-existing distributor agreement between the Group and SMAC A/S was terminated in order that the Group would take back control of these territories.

The transaction will allow the Group to benefit from improved wholesale margins, accelerate the roll-out of stores by investing its own capital, and retain the local operational and management expertise.

Supergroup paid a total of £3.8m in consideration by cash funding. Cash paid by SuperGroup Plc on acquisition was £3.0m and deferred consideration payable within one year was £0.8m which remains unpaid as at 25 April 2015.

The provisional fair value of assets acquired and liabilities assumed was as follows:

| | SMAC (£m) |
|---|---|
| Intangible assets | 2.0 |
| Property, plant and equipment | 0.5 |
| Inventories | 1.1 |
| Trade and other receivables | 1.4 |
| Trade and other payables | (1.5) |
| Provision for deferred tax | (0.5) |
| **Total fair value of assets acquired and liabilities assumed** | **3.0** |
| Goodwill/(non-distributable reserve) arising on acquisition | 0.8 |
| **Total consideration** | **3.8** |

Intangible assets relate to the reacquired rights to the territories in Denmark, Finland, and Norway. Goodwill represents expected synergies and is expected to be tax deductible.

The amounts included in the consolidated statement of comprehensive income since 27 June 2014 included revenue of £9.1m and there was a profit of £0.6m over the same period. Had the transaction occurred on the first day of the financial year, then estimated contribution to Group revenues would have been £9.6m and net profits £0.5m.

**USA**

On 25 March 2015, SuperGroup Plc has acquired the exclusive rights to distribute Superdry products in North America, by terminating the 30 year licence granted to SDUSA LLC, the Group's US licence partner, in 2008. The Group has also acquired from SDUSA LLC the trade and assets of 15 Superdry branded stores in the USA.

This transaction provides a strategic opportunity to enhance the brand presence in North America and significantly build the long-term value of the business through investing its own capital and retaining the local operational and management expertise.

SuperGroup Plc paid a total of £10.1m in consideration by cash funding. Cash paid by SuperGroup Plc on acquisition was £8.1m and £2.0m was withheld to allow for any indemnity claims arising during the 12 month period following completion. The £2.0m remained unpaid as at 25th April 2015 and will be released, less the value of any claims made by the Group to SDUSA LLC, in four equal instalments.

The provisional fair value of assets acquired and liabilities assumed was as follows:

| | USA (£m) |
|---|---|
| Intangible assets | 5.3 |
| Property, plant and equipment | 4.4 |
| Inventories | 5.5 |
| Trade and other payables | (4.1) |
| **Total fair value of assets acquired and liabilities assumed** | **11.1** |
| Gain arising on acquisition | (1.0) |
| **Total consideration** | **10.1** |

Intangible assets of £5.3m relate to reacquired rights to the North American territory and was valued using a multi period excess earnings methodology.

Fair value adjustments under IFRS 3 (revised) were made to property, plant and equipment, and inventories. The value of property, plant and equipment was adjusted for an impairment of £1.2m for the store assets at Time Square, New York, due to an ongoing legal dispute with the landlord on the assigning of the lease from SDUSA LLC to the Group. Inventories were valued at sales price less costs to sell which increased the value of inventory by £2.4m.

Total consideration paid of £10.1m was £1.0m more than the total fair value of assets acquired and liabilities assumed and resulted in a gain credited to exceptional items (see note 4).

Also included within exceptional items is the cash termination fee of the license rights in North America of £12.4m and £0.6m of professional fees paid including legal, due diligence and other costs. A post-acquisition review of the current and forecast trading performance, and assets of the stores resulted in an onerous lease provision charge of £1.8m, a write down of store assets of £0.8m, and asset impairment of £0.3m.

The amounts included in the consolidated statement of comprehensive income since 25 March 2015 included revenue of £1.8m and there was a profit of £0.4m over the same period. Had the transaction occurred on the first day of the financial year, then estimated contribution to Group revenues would have been £23.9m and net losses of £5.3m.

**Germany**

In October 2013 a 70% subsidiary of SuperGroup Plc, Superdry Germany GmbH ("Superdry Germany") completed a business combination with KUH Retail GmbH ("KuH"), a former distributor and former agent in Germany for the Group. The provisional fair values of the assets and liabilities were reviewed within 12 months of acquisition and an adjustment of £0.7m was made to increase goodwill from £0.7m to £1.4m.

## 12. Non-controlling interests and other reserves

Movements in non-controlling interests during the year are disclosed in the statement of changes in equity.

| | Non-controlling interest 2015 £m | Other reserves 2015 £m |
|---|---|---|
| Brought forward as at 26 April 2014 | 1.6 | 0.7 |
| Share of result for the year Share of | 0.6 | – |
| Carried forward at 25 April 2015 | 2.2 | 0.7 |

## 13. Events after the reporting period

On 20 May 2015 the Group sold 50% of its investment in Anatwine to Zalando SE for a consideration of £1.5m. The carrying value of the investment on disposal was £0.7m resulting in a gain on disposal of £1.2m.

On 2 July 2015 the Group signed an agreement to purchase the remaining 30% of shareholding for £1.7m in Superdry Germany from Ranft Soller Holdings GmbH ("RSH") and the closing date will be 17 July 2015. Due to the proximity of the acquisition date to the release of the annual report valuations of assets and liabilities acquired along with the disclosures required by IFRS 3 (Revised) have not been able to be prepared. Disclosure will be made in future annual financial statements.

On 8 July 2015 the Group signed an agreement to enter into a joint venture with Trendy International Group in China to provide a platform for significant long-term growth in this important market.