

Registered number: 07139044

SUPERGROUP INTERNET LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 25 APRIL 2020



SUPERGROUP INTERNET LIMITED

COMPANY INFORMATION

DIRECTORS Julian Dunkerton (appointed 30 July 2019)
Ruth Daniels (appointed 3 February 2020)

REGISTERED OFFICE Unit 60
The Runnings
Cheltenham
Gloucestershire
GL51 9NW

REGISTERED NUMBER 07139044

INDEPENDENT AUDITOR Deloitte LLP
Statutory Auditor
Four Brindley Place
Birmingham
B1 2HZ
United Kingdom

SUPERGROUP INTERNET LIMITED

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SUPERGROUP INTERNET LIMITED

STRATEGIC REPORT FOR THE PERIOD ENDED 25 APRIL 2020

INTRODUCTION

The directors present their annual strategic report for SuperGroup Internet Limited for the period ended 25 April 2020.

BUSINESS REVIEW

The results for the company show a profit before taxation of £4,781,000 (2019: £5,864,000) for the year. Turnover for the year was £140,380,000 (2019: £153,782,000); this reduction is driven by owned sites as we traded on a less promotional stance (pre-Covid-19) than in the previous year. Throughout the period stores were closed, our online business kept trading across all 18 owned sites. During the early stages of the pandemic customer demand was suppressed, before recovering strongly as we exited the year.

The company has no net debt and net cash reserves of £108,094,000 (2019: *net cash reserves of £8,009,000*). This cash increase is largely driven by the timing of payment of intercompany invoices, VAT refunds received and increases in non-intercompany creditor balances. The company has net assets of £30,036,000 (2019: £25,045,000).

The future developments of the company have been included in the directors' report.

COVID-19

This financial year witnessed extraordinary events caused by the Covid-19 pandemic, which has had a substantial impact on a wide range of businesses and on the retail sector in particular. The welfare, health and safety of our stakeholders, and in particular our colleagues and our customers, has been our top priority, while taking decisive actions to protect the Group and its long-term financial position.

On 18 March 2020, in line with global government advice, we announced that we had closed 78 stores in Europe and that the previously advised financial guidance given by the Group on 10 January 2020 was to be withdrawn. By 22 March 2020, all Superdry stores in the UK, Europe and in the USA had been closed. This impacted the wider Superdry group and resulted in an increase in performance in SuperGroup Internet Limited across this period. We closed our Cheltenham head office on 23 March 2020 and those head office colleagues who had not been furloughed continued to work from home, fully supported by our IT team. We continued to trade online throughout the lockdown period, with effective operations continuing in our Distribution Centres with all appropriate measures taken to ensure the health and safety of our staff, while allowing us to continue to serve our customers.

By the end of June 2020, following local government guidance, after carrying out appropriate risk and health and safety assessments, and in consultation with colleagues, nearly all of our stores had reopened (the main exceptions being airports and a small number of our US stores). Since reopening stores in June 2020 there has been a series of localised and national lockdown measures resulting in store closures both in the UK and Europe, which are continuing to cause disruption to trade to the wider group.

Covid-19 is likely to continue to impact global economies, consumer demand, shopping patterns and working practices. Management will continue to monitor events and adapt accordingly, investing in our Ecommerce channel to maximise consumer demand changes, change store layouts to accommodate social distancing, ensure safe working practices in all of our operations and continue to review future head office requirements and working from home routines.

PRINCIPAL RISKS AND UNCERTAINTIES

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of Superdry Plc, which include those of the company, are disclosed on pages 42 to 50 of the group's 2020 Annual Report which does not form part of this report.

SUPERGROUP INTERNET LIMITED

STRATEGIC REPORT FOR THE PERIOD ENDED 25 APRIL 2020

BREXIT

The Brexit withdrawal agreement was signed on 24 January 2020 and the UK exited the EU on 31 January 2020. An EU-UK Trade and Cooperation Agreement was provisionally signed on 30 December 2020 before the transition period ended on 31 December 2020.

The Brexit response of SuperGroup Internet Limited forms part of the response led by the wider Superdry Plc group ('Group'). The Group formed a Brexit working group, chaired by a member of the Executive Committee with input from specialists and representation from each business area, to specifically consider the impact of Brexit on the business.

Until there is certainty on the impact of the EU-UK Trade and Cooperation Agreement, the Group will continue to model worst case scenarios and monitor ongoing trends, in order to prioritise actions to mitigate risks.

The Group considers the following risks to be most relevant to Superdry:

- Potential increase of import duties on imports from suppliers outside the EU (in particular Turkey);
- Frontier delays at the UK/EU border causing customs delays on imports of stock;
- Potential volatility in the value of Sterling and the impact on UK markets and Superdry cost base;
- Delays on shipments to EU customers from the UK and impact on availability in distribution centres;
- Potential loss of harmonised rights in EU on intellectual property; and
- Restriction on mobility of labour within the EU and loss of key personnel.

The Group believes however that the risks arising are partly mitigated by the following factors:

- Less than 30% of Global brand revenue is now generated in the UK;
- We operate three distribution centres, including one in Belgium, one in the US and one in the UK. Mitigating actions could be taken such that only UK destined stock needs to be imported into the UK; and
- We have a diversified supplier base in, but not restricted to, Turkey, China and India.

FINANCIAL KEY PERFORMANCE INDICATORS

The directors of Superdry Plc manage the group's operations on a segmental basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of SuperGroup Internet Limited. The development, performance and position of the ecommerce segment of Superdry Plc, which includes the company, is discussed on pages 32 to 33 of the group's 2020 Annual Report, which does not form part of this report.

SECTION 172(1) STATEMENT

Section 172 of the Companies Act 2006 requires a director of a company to act in a way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole.

We recognise that Superdry is run for the benefit of shareholders, but that the long-term success of the Group is reliant on the fostering and nurturing of relationships with a variety of stakeholders and the regular consideration of the impact of the Group's activities on them. The Board considers all relevant factors and stakeholders in deciding on a course of action that is most likely to result in sustainable success for all shareholders. Stakeholder interests are not always aligned and, on some occasions, it is necessary for the Board to prioritise the needs of one stakeholder group over another.

SUPERGROUP INTERNET LIMITED

**STRATEGIC REPORT
FOR THE PERIOD ENDED 25 APRIL 2020**

SECTION 172(1) STATEMENT (continued)

With that in mind, we have identified our stakeholders, what matters to them and how we engage with them, to facilitate the regular consideration of stakeholders in Board discussions and decision making. Consideration of the impact that the Group and its operations has on all stakeholders is central to the culture and values of Superdry

We have identified our stakeholders as being: shareholders, consumers, trade customers, the community and wider society, government and regulators, the media, the environment, our suppliers and colleagues.

Our stakeholder table is reviewed and considered on an annual basis as part of our governance arrangements. Our Board and Committee Chairs and Executive Committee ensure that the stakeholder perspective is discussed in the consideration of matters relevant to stakeholder groups. All Board and Committee decision making that impacts stakeholders is noted in a central stakeholder consideration table to record stakeholder discussions. Board decision making takes place with reference to the Group's risk management framework, including its principal risks and uncertainties

The below stakeholder engagement table illustrates some of the key ways in which the directors consider and interact with our stakeholders:

Stakeholder	Key considerations	Engagement activities
Shareholders	Investment value, results, strategy, corporate governance and transparency	Involvement in Annual General Meetings, meeting with investors, stock market news, and director engagement with our Investor Relations and Company Secretariat teams
Consumers and trade customers	Product design and quality, value for money, availability, sustainability, good customer service	Contact with store colleagues and customer service teams, satisfaction surveys, supplier conferences social media and direct contact
Community and wider society	Charitable donations and support, local sponsorship, environment impact, sustainability	Family and friends events, work placements, jobs, charitable support, Invictus games support, media coverage
Government and regulators	Corporate governance, compliance, health & safety, environment and sustainability	Meetings, briefings and consultations, dialogue with trade bodies, specialist advisors
Media	Stories, reports and regular communication	New releases, stock market announcements, interviews, visits and social media
Environment	Information on climate change impact, pollution rates, sustainable practices, organic cotton production	Sustainability reporting, engagement with organic cotton farmers, dialogue with specialist advisors
Suppliers	Fair terms, payment, communication, success of the business, anti-bribery, ethical behaviour	Supplier conferences, face to face engagement at meetings and visits
Colleagues	Working conditions and rights, remuneration, health and safety, training and development, diversity and inclusivity, leadership, communication	Superdry Voice groups, staff engagement surveys, Intranet sites, regular colleague communications, biannual appraisals, training Academy and talent frameworks

For details on some of the specific engagements that take place with the company's stakeholders, and how the directors have considered each of the relevant stakeholders, see pages 24 to 27 of the group's 2020 Annual Report which does not form part of this report.

SUPERGROUP INTERNET LIMITED

**STRATEGIC REPORT
FOR THE PERIOD ENDED 25 APRIL 2020**

This report was approved by the board on 19 February 2021 and signed on its behalf.

A handwritten signature in black ink, appearing to read 'R. Daniels', is positioned above the name and title of the signatory.

Ruth Daniels
Director

SUPERGROUP INTERNET LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 25 APRIL 2020

The directors present their Annual report and the audited financial statements for the 52-week period ended 25 April 2020.

RESULTS AND DIVIDENDS

The profit for the financial period amounted to £4,799,000 (2019: £5,910,000). Gross margin has increased to 59.5% (2019: 54.9%), which was largely driven by owned sites as we traded on a less promotional stance (pre-Covid-19) than in the previous year. Operating costs have remained stable in comparison to the prior period.

This year has seen further significant investment with £1,488,000 (2018: £3,038,000) invested into tangible and intangible assets. This is partially related to the continued investment in new technology in our distribution centres, to allow the fulfilment of internet orders.

The directors have not recommended payment of a dividend in the period (2019: £nil). No subsequent dividends have been proposed after period end.

FUTURE DEVELOPMENTS

Global retail markets are expected to remain highly competitive and the consumer outlook continues to be uncertain, including the impact of Brexit and the ongoing Covid-19 pandemic.

As described in the Brexit section on page 2, whilst a trade agreement has been signed between the UK and EU, the impact of this agreement is still uncertain, and a number of risks to future operations still exist, which are being actively managed by the Group's Brexit working group.

There is no way of accurately predicting the extent of the future interruption to sales as a result of the Covid-19 pandemic. As described in Going Concern section on pages 7 to 10, there has been continued disruption on trading since March 2020 as a result of regional lockdowns and social distancing restrictions, which is expected to continue until at least March 2021. Our main priorities in the short-term continue to be the health and welfare of our staff, customers and suppliers, as well as maintaining a tight control of cash.

Given the scale of the trading downturn in the current period, management views the coming year as a year of reset, both operationally for the brand and financially, creating a platform from which Superdry can return to long-term profit growth.

FINANCIAL RISK MANAGEMENT

The company's activities expose it to a variety of financial risks including: foreign currency risk, credit risk and liquidity risk. From the perspective of the company, the financial risk management is managed at a group level within Superdry Plc and not managed separately. Accordingly, the financial risk management policies of Superdry Plc, which include those financial risks of the company, are disclosed on pages 169 to 173 of the group's 2020 Annual Report, which does not form part of this report.

DIRECTORS AND THEIR INTERESTS

The directors who served throughout the period, except as noted, were as follows:

Edward Barker (resigned 30 July 2019)
Simon Callander (resigned 15 January 2020)
Julian Dunkerton (appointed 30 July 2019)
Nicholas Gresham (appointed 27 June 2019 & resigned 15 October 2020)
Euan Sutherland (resigned 27 June 2019)
Ruth Daniels (appointed 3 February 2020)

SUPERGROUP INTERNET LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 25 APRIL 2020

DIRECTORS AND THEIR INTERESTS

There were no changes in shareholdings between 25 April 2020 and the date of signing the financial statements. The directors, in accordance with the Articles of Association, are not required to retire by rotation.

With the exception of Julian Dunkerton (15,172,105 shares in Superdry PLC) the directors and secretary had no material interest in the share capital of the company or the ultimate parent company during the period or prior period.

DIRECTORS' INDEMNITIES

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the financial period and is currently in force; it is available through Superdry Plc for directors of the group and of the related subsidiaries. The company also purchased and maintained throughout the period directors' and officers' liability insurance in respect of itself and its directors.

EMPLOYEES

The company operates within the employee practices of Superdry Plc, which are managed at a group level and not managed separately. Accordingly, the employee practices of Superdry Plc, which include those of the company, are disclosed on pages 58 to 63 of the group's 2020 Annual Report, which does not form part of this report.

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotions of disabled persons should, as far as possible, be identical to that of other employees.

EMPLOYEE CONSULTATION

The Company continues to develop a policy of direct and systematic communication on all relevant matters including the Company's business performance and current market issues with employees.

The Company operates several employee forums; Superdry Voice Groups (UK Retail and Head office), the Senior Women's Forum and European works councils. The ultimate parent company also run Supersay staff engagement surveys and feedback surveys. Super Tuesdays allow Head Office colleagues to share experiences with each other.

The ultimate parent company operates three share employee share schemes: A performance Share Plan (PSP), a Save As You Earn (SAYE) scheme and a Buy As You Earn (BAYE) scheme for employees at all levels.

POLITICAL AND CHARITABLE DONATIONS

The company did not make any disclosable political donations in the current period or prior period.

ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS

Details on how the company interacts with all of its stakeholders can be found in the s172 statement in the Strategic Report.

SUPERGROUP INTERNET LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 25 APRIL 2020

POLITICAL AND CHARITABLE DONATIONS

The company did not make any disclosable political donations in the current period or prior period.

SUBSEQUENT EVENTS

See note 22 for full details of events which occurred post the balance sheet date.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the 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 enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

GOING CONCERN

A review of the business performance is set out in the strategic report. Sales have decreased by 8.7% in the year and there is a reported operating profit before exceptional costs of £3,237,000 (2019: *operating profit of £3,674,000*).

The financial statements have been prepared on the basis that the company is a going concern. The ability of the company to continue as a going concern is closely related to the group's ability to continue as a going concern. The business is reliant on the ability and agreement of the group to provide sufficient funding for the company to realise its assets and discharge its liabilities, and therefore continue its operations for the foreseeable future. The company has received a letter of support from Superdry Plc that it will continue to provide the necessary finance for a period of not less than 12-months from the date of signing the financial statements.

In making their assessment of the going concern of the company, the directors have therefore considered the cash flow requirements of the group. The ability of the group to continue to trade as a going concern is dependent on the availability of sufficient, committed bank facilities, underpinned by its ability to meet its banking covenants. The following information has been adapted from the equivalent disclosures of the Superdry Plc Interim results for the 26-week period to 24 October 2020, updated to refer to the Company where appropriate.

SUPERGROUP INTERNET LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 25 APRIL 2020

GOING CONCERN (continued)

Given the company's reliance on support from the Group and the factors detailed below, the Directors of the company consider these conditions to constitute a material uncertainty which may cast significant doubt over the company's ability to continue as a going concern, such that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Background

On 10 August 2020 the group announced that it had completed a refinancing of its facilities, from a Revolving Credit Facility ('RCF') for £70m due to expire in January 2022 to a new Asset Backed Lending ('ABL') facility for up to £70m due to expire in January 2023, with amended covenants and the option to extend at the discretion of the lender for a further 12 months. Through a number of cash preservation measures set out in the FY20 Group Annual Report and Accounts (and detailed in the Mitigating actions section, below), the group has tightly managed cash and costs throughout the Covid-19 pandemic, remaining cash positive throughout 2020, and therefore the ABL has remained undrawn since it was agreed. As at 9 January 2021 Group net cash was £54.8m.

In the FY20 Group Annual Report and Accounts, the group directors noted that the risks of the recovery in consumer demand, the group's ability to capture this during the Autumn/Winter 2020 ("AW20") season, and the ability of the group to meet the new covenants from debt providers represent material uncertainty and may cast significant doubt on the group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Impact of continuing lockdowns and social distancing restrictions in FY21

With infection rates in the group's key markets having substantially reduced by late September 2020 following the "initial wave" beginning March 2020, and the majority of the group's owned store estate reopening, the prevailing view at that time was that further widespread lockdowns appeared unlikely (though not a remote possibility).

However, with the announcement of a second wave of lockdowns resulting in temporary store closures in the UK and certain EU markets from late October 2020, and the wider factors affecting open stores, such as social distancing measures, and broader economic and health concerns, the group directors expect a significant negative impact on consumer demand, at least in the short term.

These regional lockdowns materially impacted group trading in UK, France, Belgium and Ireland across late 2020, leading to 50% of available trading days lost in November due to temporary closures. While this improved somewhat in December (25% of trading days lost), the situation has deteriorated once again following widespread national lockdowns imposed in early 2021. As at 9 January 2021, 173 of the group's owned stores (72% of the estate) were closed, the highest level since April 2020. Though the group has seen a 13.2% increase in Ecommerce sales in the 11 weeks to 9 January 2021, this represents a material shortfall in total sales receipts versus previous forecasts.

There are several key mitigations that the Group has undertaken which partially offset the adverse revenue impacts of these lockdowns. While these continued lockdowns have worsened the immediate trading environment, the subsequent announcement of a number of effective vaccines has improved the medium-term outlook, though the group directors remain cautious in considering these factors in the trading, operational and financial impacts in their assessment of going concern.

Finally, as a consequence of the impact of Covid-19 on global trade, the group and the company are aware of constraints to the global supply of containers for shipping goods for resale from Asia to Europe, and while the group remains confident that the majority of goods will be shipped, it is expected that the cost of these shipments will increase and that there may be some movement in the shipping dates from FY21 to FY22.

The group's going concern assessment has been based on a 16-month financial plan (the 'Base Case Plan') that presents a revised view from January 2021 through to the end of FY22.

SUPERGROUP INTERNET LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 25 APRIL 2020

GOING CONCERN (continued)

In determining the going concern forecast, group management has made a number of different assumptions regarding the group's trading performance in light of the Coronavirus pandemic. The most significant assumptions are:

- All trading channels benefitting from the ongoing product improvements, operational initiatives and marketing activity to support the brand reset which began in October 2020.
- Current UK store closures to continue until the end of February 2021, with subdued footfall upon reopening continuing through the first half of FY22. Trading continues to recover as stores reopen and consumer demand returns, reflecting the macroeconomic uncertainties in FY22 and the ongoing channel shift towards online, with profitability delivered through full price trading margins, renegotiated leases and payroll restructuring, but with revenues remaining materially below pre-Covid levels in FY22.
- UK property rates conservatively assumed to return from April 2021 (£16m annualised cost).
- Ecommerce trading benefiting from the underlying and recently accelerated channel shift towards digital from physical retailing, together with planned development activities to improve website user experience, though with consideration of the tougher comparables in 2021, and the likely continuation of an elevated level of promotional activity to clear excess stock and generate cash.
- Wholesale performance beginning to recover in FY22 reflecting the latest forward order book performance, and the continuation of FY21 trends such as increased In Season Orders to online partners.
- Gross margin conservatively reflects a continuation of elevated promotional activity through FY22 to clear excess stock.
- Disciplined cost management and savings programmes, including an acceleration of lease renegotiations, logistics benefits relating to operational changes and US DC closures in FY20.
- An increase in marketing spend in FY22, reflecting both increased performance marketing in the short-term, together with longer-term brand investment as part of the turnaround.

Given the Base Case Plan reflects uncertainties surrounding forecasts due to the Covid-19, it is already considered to be modelled on a 'reasonable downside' basis. A 'reverse stress test' approach has subsequently been applied, modelling the shortfall to forecasted sales that the Group would be able to absorb, after implementing feasible mitigating actions, before requiring additional sources of financing in excess of those that are committed.

Whilst group management consider this further downside scenario to be unlikely, it is considered to be more than remote. However, the Group directors have considered the feasible mitigating actions that are available to them and could reasonably be implemented, together with the availability of its banking facilities until at least January 2023.

Mitigating actions

If there are different outcomes to the Base Case Plan that have a materially adverse impact on the Group, the continued impact of these events could result in a reduction in liquidity and/or a longer period of lower EBITDAR, which in turn risks covenant breaches. Group management have considered the plausible mitigating actions available to them, which includes a reduction in uncommitted capital expenditure, a reduction in Head Office costs and discretionary spend such as marketing, the confirmed and expected forgiveness of rent relating to periods of temporary closures and a reduced purchase of new season stock in line with the lower sales values.

Group management believe that the likelihood of this revenue decline scenario together with other downside impacts occurring is low, albeit more than remote, in the event of an even more severe and prolonged downside trading scenario than that modelled by the reverse stress test and, should the mitigating actions outlined above not be sufficient, group management would likely adapt the current store portfolio strategy to exit a greater proportion of stores, with ~65% of group leases falling due in the next 3 years.

SUPERGROUP INTERNET LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 25 APRIL 2020

GOING CONCERN (continued)

Covenant testing

The group continues to have a total of over £130m of available group liquidity at hand. The £70m ABL Facility remains available, having not been used in the year to date, and is currently still undrawn. Given the continued volatility caused by Covid-19, the group has agreed with its existing lenders to reprofile the profit related covenant tests for the period ended April 2022.

The covenants in the ABL facility are tested quarterly and are based around the Group's adjusted EBITDAR (relative to the Base Case Plan) until the end of Q1 22 and fixed charge (rent and interest) cover thereafter.

Under the reverse stress test, which group management considers to be more than a remote possibility, liquidity headroom remains adequate, though the covenants would be under pressure over the 12 month going concern period in this scenario. Consequently, they are most sensitive to the macroeconomic recovery and performance over the next 12 months, since all covenants are on a trailing 12 month basis.

If this were to occur group management would approach lenders for a covenant waiver. Whilst there would be no guarantee that such a waiver would be made available, in making their assessment group management note that they currently have a good relationship with their lenders, and the lenders have been made aware of all key inputs into the Base Case Plan, as well as the implications of the short-term disruption. In addition, it should be noted that the Group expects to be cash positive for the majority of the year, given the seasonal working capital cycle, with substantial liquidity maintained throughout the going concern period.

Significant judgements

In using these financial forecasts for the going concern assessment, the Group directors recognise that significant judgements were required in deciding what assumptions to make regarding the impact of the Covid-19 pandemic on the retail sector and wider economy, and specifically to Superdry, the ability to execute the turnaround plans required to recover brand health and return the business to profitable growth. Whilst H1 trading was ahead of original expectations, H2 has been materially impacted by further mandated store closures, the short- and medium-term macroeconomic environment, and its impact on the efficacy of our strategic turnaround initiatives, result in greater uncertainty than would usually be the case in making the key judgements and assumptions that underpin the financial forecasts for the business. The Covid-19 pandemic is unprecedented, and so in making their assessment of the future prospects of the group, the group directors have incorporated additional risk adjustments into the Base Case Plan.

Summary

The group directors noted in the Superdry Plc Interim results for the 26-week period to 24 October 2020, released on 19 January 2021, that the risks set out above indicate that a material uncertainty exists and may cast significant doubt on the group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The material uncertainty relates to:

- the duration and impact of the second-wave of national lockdowns and subsequent recovery in consumer demand, and the Group's ability to capture this in future trading; and
- the ability of the Group to meet its covenants from debt providers.

Notwithstanding the above, the group directors have assessed the liquidity requirements of the group under these downside scenarios and believe them to be adequate.

After considering the forecasts, sensitivities and mitigating actions available to group management and having regard to the risks and uncertainties to which the group is exposed (including the material uncertainty referred to above), the group directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future, and operate within its borrowing facilities and covenants until at least the end of FY22. Accordingly, the financial statements continue to be prepared on the going concern basis.

SUPERGROUP INTERNET LIMITED

**DIRECTORS' REPORT
FOR THE PERIOD ENDED 25 APRIL 2020**

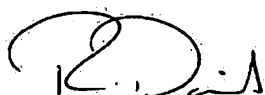
PROVISION OF INFORMATION TO AUDITOR

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Deloitte LLP have been deemed re-appointed as statutory auditor to the financial statements under section 487 of the 2006 Act.

This report was approved by the board on 19 February 2021 and signed on its behalf.



Ruth Daniels
Director
Unit 60
The Runnings
Cheltenham
Gloucestershire
GL51 9NW

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SUPERGROUP INTERNET LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SUPERGROUP INTERNET LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion the financial statements of SuperGroup Internet Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 25 April 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of profit or loss;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 3 in the financial statements, which indicates that the trading of the Company and Group has continued to decline since the year ended 25 April 2020. Additionally, the Company's and Group's trading performance has been negatively impacted by the coronavirus pandemic.

The ability of the company to continue as a going concern is closely related to the Group's ability to continue as a going concern because the Group provides ongoing financial support to the company such that it can continue in operation.

As at 9 January 2021, the Group was in a net cash position of £54.8m and has completed a refinancing of its facilities from a Revolving Credit Facility of £70m (available until January 2022) to a new Asset Backed Lending ("ABL") facility of up to £70m. The ABL facility is subject to a number of financial and non-financial covenants which are tested quarterly.

Group management's Base Case forecast indicates that the banking covenants will be met throughout the going concern period. However, there is uncertainty as to the duration and impact of second-wave of national lockdowns and subsequent recovery of consumer demand, and whether the Group will meet the covenants from its debt providers.

As stated in note 3, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

SUPERGROUP INTERNET LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SUPERGROUP INTERNET LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

SUPERGROUP INTERNET LIMITED

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF SUPERGROUP INTERNET LIMITED**

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (continued)

Matters on which we are required to report by exception

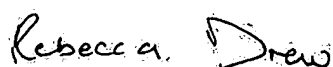
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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



Rebecca Drew (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
19 February 2021

SUPERGROUP INTERNET LIMITED

**STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD ENDED 25 APRIL 2020**

	Note	Period ended 25 April 2020 £000	Period ended 27 April 2019 £000
TURNOVER	5	140,380	153,782
Cost of sales		(56,834)	(69,330)
GROSS PROFIT		83,546	84,452
Administrative expenses		(80,374)	(80,778)
Other operating income		65	-
OPERATING PROFIT BEFORE EXCEPTIONAL COSTS		3,237	3,674
Exceptional items	8	(3,716)	-
OPERATING (LOSS)/PROFIT	6	(479)	3,674
Interest receivable	9	6,457	3,397
Interest payable	9	(1,197)	(1,207)
PROFIT BEFORE TAXATION		4,781	5,864
Tax on profit	10	18	46
PROFIT FOR THE FINANCIAL PERIOD		4,799	5,910

The notes on pages 18 to 37 form part of these financial statements.

All of the activities of the company are classified as continuing.

The company had no other comprehensive income in either financial period other than that dealt with in the Statement of profit or loss and so no Statement of comprehensive income has been presented.

SUPERGROUP INTERNET LIMITED

**STATEMENT OF FINANCIAL POSITION
AS AT 25 APRIL 2020**

			25 April 2020 £000	27 April 2019 £000
	Note	£000	£000	£000
NON-CURRENT ASSETS				
Intangible assets	12		34,898	38,363
Tangible fixed assets	13		<u>400</u>	<u>602</u>
			35,298	38,965
CURRENT ASSETS				
Inventories	14	1,233		5,149
Debtors	15	19,319		81,647
Deferred tax asset	16	76		58
Cash at bank and in hand		<u>108,094</u>	<u>15,857</u>	
		128,722	102,711	
CURRENT LIABILITIES				
Bank loans and overdrafts		-	(7,848)	
Creditors	17	<u>(133,984)</u>	<u>(108,783)</u>	
		(133,984)	(116,631)	
NET CURRENT (LIABILITIES)			<u>(5,262)</u>	<u>(13,920)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			30,036	25,045
NON-CURRENT LIABILITIES			-	-
NET ASSETS			<u>30,036</u>	<u>25,045</u>
CAPITAL AND RESERVES				
Called up share capital	18		-	-
Retained earnings			<u>30,036</u>	<u>25,045</u>
TOTAL EQUITY			<u>30,036</u>	<u>25,045</u>

The notes on pages 18 to 37 form part of the financial statements.

The financial statements on pages 15 to 37 were approved by the Board and authorised for issue on 19 February 2021.

On behalf of the Board:



Ruth Daniels
Director

SUPERGROUP INTERNET LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 25 APRIL 2020**

		Called up share capital £000	Retained earnings £000	Total equity £000
At 29 April 2018		<u>-</u>	<u>18,869</u>	<u>18,869</u>
Employee share awards	10	-	266	266
Profit for the financial period		-	5,910	5,910
Total comprehensive income and profit for the financial period		<u>-</u>	<u>6,176</u>	<u>6,176</u>
At 27 April 2019		<u>-</u>	<u>25,045</u>	<u>25,045</u>
At 28 April 2019		<u>-</u>	<u>25,045</u>	<u>25,045</u>
Employee share awards	10	-	192	192
Profit for the financial period		-	4,799	4,799
Total comprehensive expense and loss for the financial period		<u>-</u>	<u>4,991</u>	<u>4,991</u>
At 25 April 2020		<u>-</u>	<u>30,036</u>	<u>30,036</u>

SUPERGROUP INTERNET LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 25 APRIL 2020

1. GENERAL INFORMATION

SuperGroup Internet Limited (the "company") retails Superdry clothing, footwear and accessories via the internet. It operates as part of the retail segment of its parent entity, Superdry Plc.

SuperGroup Internet Limited is a private company limited by shares and is incorporated and domiciled in England. The registered office is Unit 60, The Runnings, Cheltenham, Gloucestershire, GL51 9NW.

2. STATEMENT OF COMPLIANCE

The individual financial statements of SuperGroup Internet Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ("FRS 102") and the Companies Act 2006.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

3.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

The current period is for the 52-week period ended 25 April 2020 ('2020'). The prior period is for the 52-week period ended 27 April 2019 ('2019').

3.2 Going concern

The financial statements have been prepared on the basis that the company is a going concern. The ability of the company to continue as a going concern is closely related to the group's ability to continue as a going concern. The business is reliant on the ability and agreement of the group to provide sufficient funding for the company to realise its assets and discharge its liabilities, and therefore continue its operations for the foreseeable future. The company has received a letter of support from Superdry Plc that it will continue to provide the necessary finance for a period of not less than 12-months from the date of signing the financial statements.

In making their assessment of the going concern of the company, the directors have therefore considered the cash flow requirements of the group. The ability of the group to continue to trade as a going concern is dependent on the availability of sufficient, committed bank facilities, underpinned by its ability to meet its banking covenants. The following information has been adapted from the equivalent disclosures of the Superdry Plc Interim results for the 26-week period to 24 October 2020, updated to refer to the Company where appropriate.

Given the company's reliance on support from the Group and the factors detailed below, the Directors of the company consider these conditions to constitute a material uncertainty which may cast significant doubt over the company's ability to continue as a going concern, such that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

SUPERGROUP INTERNET LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 25 APRIL 2020

3.2 Going concern (continued)

Background

On 10 August 2020 the group announced that it had completed a refinancing of its facilities, from a Revolving Credit Facility ('RCF') for £70m due to expire in January 2022 to a new Asset Backed Lending ('ABL') facility for up to £70m due to expire in January 2023, with amended covenants and the option to extend at the discretion of the lender for a further 12 months. Through a number of cash preservation measures set out in the FY20 Group Annual Report and Accounts (and detailed in the Mitigating actions section, below), the group has tightly managed cash and costs throughout the Covid-19 pandemic, remaining cash positive throughout 2020, and therefore the ABL has remained undrawn since it was agreed. As at 9 January 2021 Group net cash was £54.8m.

In the FY20 Group Annual Report and Accounts, the group directors noted that the risks of the recovery in consumer demand, the group's ability to capture this during the Autumn/Winter 2020 ("AW20") season, and the ability of the group to meet the new covenants from debt providers represent material uncertainty and may cast significant doubt on the group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Impact of continuing lockdowns and social distancing restrictions in FY21

With infection rates in the group's key markets having substantially reduced by late September 2020 following the "initial wave" beginning March 2020, and the majority of the group's owned store estate reopening, the prevailing view at that time was that further widespread lockdowns appeared unlikely (though not a remote possibility).

However, with the announcement of a second wave of lockdowns resulting in temporary store closures in the UK and certain EU markets from late October 2020, and the wider factors affecting open stores, such as social distancing measures, and broader economic and health concerns, the group directors expect a significant negative impact on consumer demand, at least in the short term.

These regional lockdowns materially impacted group trading in UK, France, Belgium and Ireland across late 2020, leading to 50% of available trading days lost in November due to temporary closures. While this improved somewhat in December (25% of trading days lost), the situation has deteriorated once again following widespread national lockdowns imposed in early 2021. As at 9 January 2021, 173 of the group's owned stores (72% of the estate) were closed, the highest level since April 2020. Though the group has seen a 13.2% increase in Ecommerce sales in the 11 weeks to 9 January 2021, this represents a material shortfall in total sales receipts versus previous forecasts.

There are several key mitigations that the Group has undertaken which partially offset the adverse revenue impacts of these lockdowns. While these continued lockdowns have worsened the immediate trading environment, the subsequent announcement of a number of effective vaccines has improved the medium-term outlook, though the group directors remain cautious in considering these factors in the trading, operational and financial impacts in their assessment of going concern.

Finally, as a consequence of the impact of Covid-19 on global trade, the group and the company are aware of constraints to the global supply of containers for shipping goods for resale from Asia to Europe, and while the group remains confident that the majority of goods will be shipped, it is expected that the cost of these shipments will increase and that there may be some movement in the shipping dates from FY21 to FY22.

The group's going concern assessment has been based on a 16-month financial plan (the 'Base Case Plan') that presents a revised view from January 2021 through to the end of FY22.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 25 APRIL 2020

3.2 Going concern (continued)

In determining the going concern forecast, group management has made a number of different assumptions regarding the group's trading performance in light of the Coronavirus pandemic. The most significant assumptions are:

- All trading channels benefitting from the ongoing product improvements, operational initiatives and marketing activity to support the brand reset which began in October 2020.
- Current UK store closures to continue until the end of February 2021, with subdued footfall upon reopening continuing through the first half of FY22. Trading continues to recover as stores reopen and consumer demand returns, reflecting the macroeconomic uncertainties in FY22 and the ongoing channel shift towards online, with profitability delivered through full price trading margins, renegotiated leases and payroll restructuring, but with revenues remaining materially below pre-Covid levels in FY22.
- UK property rates conservatively assumed to return from April 2021 (£16m annualised cost).
- Ecommerce trading benefitting from the underlying and recently accelerated channel shift towards digital from physical retailing, together with planned development activities to improve website user experience, though with consideration of the tougher comparables in 2021, and the likely continuation of an elevated level of promotional activity to clear excess stock and generate cash.
- Wholesale performance beginning to recover in FY22 reflecting the latest forward order book performance, and the continuation of FY21 trends such as increased In Season Orders to online partners.
- Gross margin conservatively reflects a continuation of elevated promotional activity through FY22 to clear excess stock.
- Disciplined cost management and savings programmes, including an acceleration of lease renegotiations, logistics benefits relating to operational changes and US DC closures in FY20.
- An increase in marketing spend in FY22, reflecting both increased performance marketing in the short-term, together with longer-term brand investment as part of the turnaround.

Given the Base Case Plan reflects uncertainties surrounding forecasts due to the Covid-19, it is already considered to be modelled on a 'reasonable downside' basis. A 'reverse stress test' approach has subsequently been applied, modelling the shortfall to forecasted sales that the Group would be able to absorb, after implementing feasible mitigating actions, before requiring additional sources of financing in excess of those that are committed.

Whilst group management consider this further downside scenario to be unlikely, it is considered to be more than remote. However, the Group directors have considered the feasible mitigating actions that are available to them and could reasonably be implemented, together with the availability of its banking facilities until at least January 2023.

Mitigating actions

If there are different outcomes to the Base Case Plan that have a materially adverse impact on the Group, the continued impact of these events could result in a reduction in liquidity and/or a longer period of lower EBITDAR, which in turn risks covenant breaches. Group management have considered the plausible mitigating actions available to them, which includes a reduction in uncommitted capital expenditure, a reduction in Head Office costs and discretionary spend such as marketing, the confirmed and expected forgiveness of rent relating to periods of temporary closures and a reduced purchase of new season stock in line with the lower sales values.

Group management believe that the likelihood of this revenue decline scenario together with other downside impacts occurring is low, albeit more than remote, in the event of an even more severe and prolonged downside trading scenario than that modelled by the reverse stress test and, should the mitigating actions outlined above not be sufficient, group management would likely adapt the current store portfolio strategy to exit a greater proportion of stores, with ~65% of group leases falling due in the next 3 years.

SUPERGROUP INTERNET LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 25 APRIL 2020

3.2 Going concern (continued)

Covenant testing

The group continues to have a total of over £130m of available group liquidity at hand. The £70m ABL Facility remains available, having not been used in the year to date, and is currently still undrawn. Given the continued volatility caused by Covid-19, the group has agreed with its existing lenders to reprofile the profit related covenant tests for the period ended April 2022.

The covenants in the ABL facility are tested quarterly and are based around the Group's adjusted EBITDAR (relative to the Base Case Plan) until the end of Q1 22 and fixed charge (rent and interest) cover thereafter.

Under the reverse stress test, which group management considers to be more than a remote possibility, liquidity headroom remains adequate, though the covenants would be under pressure over the 12 month going concern period in this scenario. Consequently, they are most sensitive to the macroeconomic recovery and performance over the next 12 months, since all covenants are on a trailing 12 month basis.

If this were to occur group management would approach lenders for a covenant waiver. Whilst there would be no guarantee that such a waiver would be made available, in making their assessment group management note that they currently have a good relationship with their lenders, and the lenders have been made aware of all key inputs into the Base Case Plan, as well as the implications of the short-term disruption. In addition, it should be noted that the Group expects to be cash positive for the majority of the year, given the seasonal working capital cycle, with substantial liquidity maintained throughout the going concern period.

Significant judgements

In using these financial forecasts for the going concern assessment, the Group directors recognise that significant judgements were required in deciding what assumptions to make regarding the impact of the Covid-19 pandemic on the retail sector and wider economy, and specifically to Superdry, the ability to execute the turnaround plans required to recover brand health and return the business to profitable growth. Whilst H1 trading was ahead of original expectations, H2 has been materially impacted by further mandated store closures, the short- and medium-term macroeconomic environment, and its impact on the efficacy of our strategic turnaround initiatives, result in greater uncertainty than would usually be the case in making the key judgements and assumptions that underpin the financial forecasts for the business. The Covid-19 pandemic is unprecedented, and so in making their assessment of the future prospects of the group, the group directors have incorporated additional risk adjustments into the Base Case Plan.

Summary

The group directors noted in the Superdry Plc Interim results for the 26-week period to 24 October 2020, released on 19 January 2021, that the risks set out above indicate that a material uncertainty exists and may cast significant doubt on the group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The material uncertainty relates to:

- the duration and impact of the second-wave of national lockdowns and subsequent recovery in consumer demand, and the Group's ability to capture this in future trading; and
- the ability of the Group to meet its covenants from debt providers.

Notwithstanding the above, the group directors have assessed the liquidity requirements of the group under these downside scenarios and believe them to be adequate.

SUPERGROUP INTERNET LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 25 APRIL 2020

3.2 Going concern (continued)

After considering the forecasts, sensitivities and mitigating actions available to group management and having regard to the risks and uncertainties to which the group is exposed (including the material uncertainty referred to above), the group directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future, and operate within its borrowing facilities and covenants until at least the end of FY22. Accordingly, the financial statements continue to be prepared on the going concern basis.

3.3 Exemptions for qualifying entities under FRS 102

The company has adopted the following exemptions, which are allowed by FRS 102 (paragraph 1.12), to qualifying entities: -

- the requirement to present a Statement of cash flows (section 7 of FRS 102 and paragraph 3.17 (d)) as the company is a qualifying entity, and its ultimate parent company, Superdry Plc, includes the company's cash flows in its own consolidated financial statements;
- a reconciliation of the number of shares outstanding at the beginning and end of the period (FRS 102 paragraph 4.12(a) (iv));
- the requirement for financial instruments disclosures including (i) categories of financial assets, financial liabilities and (ii) disclosure of items of income, expense, gains or losses relating to financial instruments for the financial period;
- the requirement to disclose key management personnel compensation in total (FRS 102 paragraph 33.7); and
- the requirement to disclose related party transactions with fellow wholly owned Group subsidiaries (FRS 102 paragraph 33.1a).

3.4 Revenue recognition

Turnover comprises revenue recognised by the company in respect of goods sold during the period, exclusive of Value Added Tax and trade discounts.

Revenue from the provision of sale of goods is recognised at the point that the risks and rewards of the inventory have passed to the customer, which is the point of despatch. Transactions are settled by credit or payment card. Provisions are made for credit notes based on the expected level of returns, which in turn is based upon the historical rate of returns. It is company policy to sell its products to the customer with a right to exchange or refund within 28 days.

3.5 Other operating income

Included in other operating income are amounts receivable from government grants. Government grants are not recognised until there is reasonable assurance that the conditions attached to them will be met and that the grants will be received. Government grants are recognised in the Statement of profit or loss on a systematic basis over the periods in which the company recognises an expense for the related costs for which the grants are intended to compensate.

3.6 Intangible assets and amortisation

Intangible assets acquired separately from a business are recognised initially at cost. An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is identifiable and is controlled by the entity through custody of legal rights and its fair value can be measured reliably. Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets acquired at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and impairment losses. Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the statement of profit or loss.

SUPERGROUP INTERNET LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 25 APRIL 2020

3.6 Intangible assets and amortisation (continued)

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:

Website and software	- 5 years straight line
Goodwill	- 20 years straight line

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets acquired at the date of acquisition. The expected useful life of the goodwill was assessed as being 20 years at the time of acquisition. We have chosen these periods as it is deemed most appropriate given the lives of the assets.

3.7 Tangible assets and depreciation

Tangible fixed assets are stated at historical cost less accumulated depreciation and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Cost includes the original purchase price and the costs attributable to bringing the asset into its working condition but excludes interest.

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:

Fixtures and fittings	- 5-7 years on a straight-line basis
Computer equipment	- 3-5 years on a straight-line basis
Leasehold improvements	- 5-7 years on a straight-line basis

3.8 Inventories

Inventories are valued at the lower of cost and estimated selling price less costs to complete and sell. Inventories are recognised as an expense in the period in which the related revenue is recognised. 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.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the statement of profit or loss. Where a reversal of the impairment is required the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the statement of profit or loss.

3.9 Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred tax assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the period or prior periods. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period-end.

SUPERGROUP INTERNET LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 25 APRIL 2020

3.9 Taxation (continued)

(i) Current tax (continued)

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of the amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period-end and that are expected to apply to the reversal of the timing difference.

Deferred tax assets and liabilities are not discounted

3.10 Foreign currencies

The company's functional and presentational currency is the pound sterling and amounts are rounded to thousands.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the Statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange gains and losses are recognised in the Statement of profit or loss.

3.11 Interest receivable

Interest receivable comprises interest receivable on funds invested and is recognised in the Statement of profit or loss using the effective interest method.

3.12 Financial instruments

Financial Assets

Basic financial assets, including trade and other debtor and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate; this loss is recognised in the statement of profit or loss.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire or are settled or substantially all the risks and rewards of ownership of the asset are transferred to another party.

SUPERGROUP INTERNET LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 25 APRIL 2020

3.12 Financial instruments (continued)

Financial Liabilities

Basic financial liabilities, including trade and other creditors and amounts owed to group undertakings, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

The company has not applied hedge accounting.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.13 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount of the obligation can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations might be small.

Changes in the value of the provisions are recognised as an administrative expense.

3.14 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

3.15 Share capital

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

3.16 Distributions to equity holders

Dividends and other distributions to the company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the shareholders.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 25 APRIL 2020

3.17 Related party transactions

The company discloses transactions with related parties which are not wholly owned within the same group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the financial statements.

3.18 Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

Short-term benefits

Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Defined contribution pension plans

The company operates a number of defined contribution plans for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the Statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

3.19 Share based payments – Group operated schemes

The company financial statements include several equity settled share-based compensation plans which are operated by the group. The fair value of the shares under such plans is recognised as an expense in the Statement of profit or loss. Fair value is determined using the Black-Scholes Option Pricing Model. The amount to be expensed over the vesting period is determined by reference to the fair value of share incentives excluding the impact of any non-market vesting conditions. Non-market vesting conditions are considered as part of the assumptions about the number of share incentives that are expected to vest. At each Statement of financial position date, the group revises its estimate of the number of share incentives that are expected to vest. The impact of the revision on original estimates, if any, is recognised in the Statement of profit or loss, with a corresponding adjustment to equity over the remaining vesting period.

3.20 Share based payments – Founder Share Plan

The Founders of Superdry operate a share-based compensation plan that awards both cash and shares. For the purposes of FRS 102 it is considered to be an equity settled share-based compensation plan. The Founder Share Plan ('FSP') falls within the scope of FRS 102 section 26 despite the company neither purchasing, nor issuing the shares, nor the cost of the cash being a company expense. Fair value is determined using the Monte Carlo Pricing Model. The amount to be expensed over the vesting period is determined by reference to the fair value of share incentives, adjusted at the grant of each share incentive for dilution assumptions. These dilution assumptions are not revised after the grant of the share incentive. Non-market vesting conditions are considered as part of the assumptions about the number of share incentives that are expected to vest. The impact of the revision on original estimates, if any, is recognised in the Statement of profit or loss, with a corresponding adjustment to equity over the remaining vesting period.

3.21 Exceptional and other items

Non-underlying adjustments constitute exceptional and other items and are disclosed separately in the statement of comprehensive income. In determining whether events or transactions are treated as exceptional and other items, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 25 APRIL 2020

3.21 Exceptional and other items (continued)

Examples of charges or credits meeting the above definition, and which have been presented as exceptional and other items in the current and/or previous years include the impairment of amounts owed by group undertakings.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with FRS 102 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.

Critical judgements in applying accounting policies

Management consider that judgements made in the process of applying the company's accounting policies that could have a significant effect on the amounts recognised in the financial statements are as follows:

Exceptional items

The Company separately reports exceptional items in order to calculate adjusted and underlying results, as it believes that these measures provide additional useful information on underlying performance and trends to shareholders and management.

Judgement is required in determining whether an item should be classified as an exceptional item or included within the underlying results. The Company's definition of exceptional items is outlined in note 3.21 and has been applied consistently year on year.

During the year the company has recorded, before taxation, exceptional costs of £3,716,000 (2019: £nil), all of which relates to impairment of amounts owed by group undertakings. Refer to note 8 for further details on exceptional items.

Key sources of estimation uncertainty

Management considers that accounting estimates and assumptions made in relation to the following items have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

Impairment of amounts owed by group undertakings

Management has estimated the impairment of amounts owed by group undertakings. Under FRS 102, to recognise an impairment loss there must be objective evidence that the loss has occurred, and that this is a result of one or more past events. This may include significant changes that have taken place in the economic environment.

The estimated impairment of amounts owed by group undertakings reflects management's estimate of the expected future receipts from the borrower based on the borrowers' medium-term financial plans discounted using the effective interest rate relevant to each receivable. Part of the adjustments for general economic conditions at 25 April 2020 includes consideration of the impact that the Covid-19 pandemic has had on entities' ability to repay invoices when they fall due.

An impairment of £3,716,000 (2019: nil) was recognised in the period. These impairment charges have been recognised within exceptional costs. This has been calculated based on the calculated NPV of each relevant the subsidiary compared to the intercompany balance.

SUPERGROUP INTERNET LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 25 APRIL 2020**

**4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION
UNCERTAINTY (continued)***Impairment of amounts owed by group undertakings (continued)*

The most significant estimation input related to these calculations is the expected future performance of each entity in the group's medium-term plan; most significantly the sales growth assumptions. Further impairment charges may be recorded in the future dependent on actual performance compared to the group's medium-term plan.

Sensitivity analysis has been performed using various reasonably possible scenarios:

- If sales were 5% lower in year 1 of the forecast, this would increase the impairment of amounts owed by group undertakings by £64,000.
- An increase of 1% in the discount rate would increase the impairment of amounts owed by group undertakings by £72,000.

5. TURNOVER

The whole of the turnover is attributable to the retail of clothing, footwear and accessories.

By destination 50% (2019: 49%) of the turnover is attributable to geographical markets outside the United Kingdom. No further analysis is disclosed due to the sensitivity of this information.

6. OPERATING PROFIT

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

	2020 £000	2019 £000
Amortisation – intangible fixed assets (note 12)	4,952	4,471
Depreciation of tangible fixed assets: (note 13)	203	193
Impairment/ (write back) of inventory (included in cost of sales)	200	(52)
Inventory recognised as an expense	48,487	62,266
Gain on foreign currency	(469)	(147)
Exceptional costs (note 8)	3,716	-

Auditor's remuneration of £50,000 (2019: £50,000) for SuperGroup Internet Limited has been borne by Superdry Plc, a related party, and is not recharged to this entity. All fees payable by the company relate to the audit of the financial statements.

Amortisation is recognised within administrative expenses.

SUPERGROUP INTERNET LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 25 APRIL 2020**

7. EMPLOYEES AND DIRECTORS

	2020	2019
	£000	£000
Wages and salaries	4,692	3,795
Social insurance costs	485	406
Other pension costs	222	196
Share-based payments	193	266
	<u>5,592</u>	<u>4,663</u>

The average monthly number of persons employed by the company, including the directors, during the period was as follows:

	2020	2019
	No.	No.
Admin	121	113
	<u>121</u>	<u>113</u>

The emoluments of the directors are paid by the parent company which makes no recharge to the company. The directors are directors of the parent company and a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Accordingly, the above details include no emoluments in respect of the directors. The total emoluments are included in the aggregate of directors' emoluments in the financial statements of the parent company.

8. EXCEPTIONAL COSTS

The following items have been included within 'Exceptional costs' for the period ended 25 April 2020:

	2020	2019
	£000	£000
Bad debt provision – intercompany	3,716	-
	<u>3,716</u>	<u>-</u>

SUPERGROUP INTERNET LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 25 APRIL 2020**

9. INTEREST RECEIVABLE AND SIMILAR INCOME

	2020 £000	2019 £000
Interest receivable and similar income		
Intercompany interest receivable	6,449	3,227
Other interest receivable	8	170
	<u>6,457</u>	<u>3,397</u>
Interest payable and similar expenses		
Intercompany interest payable	(1,197)	(1,207)
	<u>(1,197)</u>	<u>(1,207)</u>
Net interest income	<u>5,260</u>	<u>2,190</u>

10. TAX ON (LOSS)/PROFIT

(i) Analysis of tax (credit)/charge in the period

	2020 £000	2019 £000
Current tax		
Corporation tax charge on (loss)/profit for the period	-	-
Adjustments in respect of prior periods	-	(74)
Total current tax	<u>-</u>	<u>(74)</u>
Deferred tax		
Origination and reversal of timing differences	(9)	3
Impact of change in tax rate	(7)	-
Adjustments in respect of prior periods	(2)	25
Total deferred tax	<u>(18)</u>	<u>28</u>
Total tax credit for the period	<u>(18)</u>	<u>(46)</u>

Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will not occur and the Corporation Tax Rate will be held at 19%. This was enacted on 17 March 2020 and therefore applies at the balance sheet date. Deferred tax balances have been calculated using this 19% rate.

SUPERGROUP INTERNET LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 25 APRIL 2020**

10. TAX ON (LOSS)/PROFIT (continued)

(ii) Reconciliation of tax (credit)/charge

The tax assessed for the period is lower (2019: lower) than the standard rate of corporation tax in the UK of 19.0% (2019: 19.0%). The differences are explained below:

	2020	2019
	£000	£000
Profit before taxation	<u>4,781</u>	<u>5,864</u>
Profit before taxation multiplied by standard rate of corporation tax in the UK 19.0% (2019: 19.0%)	908	1,114
Effects of:		
Deferred tax not recognised	17	32
Group relief claim	(2,267)	(1,724)
Remeasurement of deferred tax – change in the UK tax rate	(9)	4
Expenses not deductible for tax purposes	1,335	577
Adjustments in respect of prior periods	(2)	(49)
Total tax (credit)/charge for the period	<u>(18)</u>	<u>(46)</u>

11. EMPLOYEE SHARE AWARDS

(i) Performance Share Plan

Equity settled awards are granted to employees in the form of share awards. No consideration is payable by the employees when share awards vest, other than the nominal value of 5p per share. The vesting period is three years. Share awards will also expire if the employee leaves the company prior to the exercise or vesting date subject to the discretionary powers of the Remuneration Committee of the group.

The award of shares is made under the Superdry Performance Share Plan ('PSP') for shares in the parent company, Superdry Plc. Shares have no value to the participant at the grant date, but subject to the satisfaction of earnings per share and total shareholder return performance targets can convert and give participants the right to be granted nil-cost shares (other than the nominal value of 5p per share) at the end of the performance period. The total number of share awards outstanding at the end of the period is 342,960 (2019: 85,956). None of the shares were exercisable at the period end date.

A charge of £104,000 has been recorded in the Statement of profit or loss for the PSP (2019: £77,000).

(ii) Founder Share Plan

On 12 September 2017, the Founders of Superdry, Julian Dunkerton and James Holder, announced the launch of a long-term incentive scheme, the Founder Share Plan ('FSP'), under which they will share their wealth with employees of the group.

The FSP runs from October 2017 to 30 September 2020 and has concluded by the date of signing. See note 22 for the outcome of the FSP scheme, which constitutes a subsequent event.

The structure of the scheme at its outset was as follows:

At the conclusion of the scheme, the Founders will transfer into a fund 20% of their gain from any increase in the group's share price over a threshold of £18 per share.

SUPERGROUP INTERNET LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 25 APRIL 2020**

11. EMPLOYEE SHARE AWARDS (continued)

The gain to be transferred to the fund will be calculated using the market value of the shares calculated as the average price of a Superdry Plc share over the 20 dealing days prior to the maturity date (30 September 2020).

The proceeds from this fund will be shared across the Superdry colleague base worldwide, including those who work part-time. Each £5 increase in the share price over the £18 threshold would see the Founders putting £30m into the fund.

Awards will be made to employees in shares or an equivalent cash award if considered more appropriate. The vesting period for the awards differs depending on the seniority of the colleagues in question. To be eligible for the award, employees need to remain in employment on the vesting date, details of which are as follows:

- 50% - 31 January 2021
- 50% - 31 January 2022

Cash and share-settled elements – All other colleagues

- 50% - 31 January 2021
- 50% - 31 July 2021

The award will be settled in full by the Founders with no cost to the group and hence in accordance with FRS 102 section 26 has been accounted for as an equity-settled share-based payment scheme. The fair value of the award is determined using a Monte Carlo pricing model.

The share-based payment charge associated with the FSP will accrue over five financial periods, up until financial year 2022.

A charge of £89,000 has been recorded in the Statement of profit or loss for the FSP (2019: £189,000).

12. INTANGIBLE ASSETS

	Goodwill	Websites & software	Total
	£000	£000	£000
Cost			
At 28 April 2019	58,740	9,683	68,423
Additions	-	1,487	1,487
At 25 April 2020	<u>58,740</u>	<u>11,170</u>	<u>69,910</u>
Accumulated amortisation			
At 28 April 2019	26,883	3,177	30,060
Charge for the period	2,937	2,015	4,952
At 25 April 2020	<u>29,820</u>	<u>5,192</u>	<u>35,012</u>
Net book value			
At 25 April 2020	<u>28,920</u>	<u>5,978</u>	<u>34,898</u>
At 27 April 2019	<u>31,858</u>	<u>6,505</u>	<u>38,363</u>

Amortisation of intangibles is recognised within administrative expenses.

SUPERGROUP INTERNET LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 25 APRIL 2020**

13. TANGIBLE FIXED ASSETS

	Leasehold Property £000	Furniture, fixtures & fittings £000	Computer equipment £000	Total £000
Cost				
At 28 April 2019	337	514	734	1,585
Additions	1	-	-	1
At 25 April 2020	<u>338</u>	<u>514</u>	<u>734</u>	<u>1,586</u>
At 28 April 2019	124	262	597	983
Charge for the period	46	75	82	203
At 25 April 2020	<u>170</u>	<u>337</u>	<u>679</u>	<u>1,186</u>
Net book value				
At 25 April 2020	<u>168</u>	<u>177</u>	<u>55</u>	<u>400</u>
At 27 April 2019	<u>213</u>	<u>252</u>	<u>137</u>	<u>602</u>

14. INVENTORIES

	2020 £000	2019 £000
Finished goods and goods for resale	<u>1,233</u>	<u>5,149</u>

There is no significant difference between the replacement cost of finished goods available for resale and their carrying amounts.

Inventories are stated after provisions for obsolescence of £679,000 (2019: £479,000)

SUPERGROUP INTERNET LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 25 APRIL 2020**

15. DEBTORS

	2020 £000	2019 £000
Trade debtors	7,349	2,807
Amounts owed by group undertakings	11,644	77,713
Other debtors	168	105
Prepayments and accrued income	158	1,022
	<u>19,319</u>	<u>81,647</u>

Amounts owed by group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. Interest is charged at 4% p.a. on loan balances; no interest is charged on trading balances.

Amounts owed by group undertakings are stated after provision for impairment of £3,716,000 (2019: nil).

Prepayments accrued income include £7,000 (2019: £10,000) of prepaid rent and rates.

16. DEFERRED TAX ASSET

	2020 £000	2019 £000
At beginning of period	(58)	(86)
Profit and loss charge – recognition of deferred tax previously not recognised	(2)	25
Profit and loss charge – current period movement	(16)	3
At end of period	<u>(76)</u>	<u>(58)</u>

The deferred tax asset is made up as follows:

	2020 £000	2019 £000
Accelerated capital allowances	(73)	(58)
Short term timing differences	(3)	-
	<u>(76)</u>	<u>(58)</u>

There are no unused tax losses or unused tax credits.

SUPERGROUP INTERNET LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 25 APRIL 2020**

17. CREDITORS: Amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	3,688	3,202
Accruals	5,733	3,997
Deferred income	1,372	-
Other taxes and social security	11,508	6,287
Other creditors	32	32
Amounts owed to group undertakings	111,651	95,265
	<u>133,984</u>	<u>108,783</u>

Amounts owed to group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. Interest is charged at 4% p.a. on loan balances; no interest is charged on trading balances.

Trade and other creditors are payable at various dates in the next three months in accordance with the suppliers' usual and customary credit terms.

18. CALLED UP SHARE CAPITAL

	2020 £000	2019 £000
Issued and fully paid		
2 Ordinary shares of £1 each	<u>-</u>	<u>-</u>

19. RELATED PARTY TRANSACTIONS

The only related party transactions during the period were with wholly owned group subsidiaries, therefore they have not been disclosed.

20. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

At 25 April 2020, the immediate and ultimate parent undertaking and controlling party was Superdry Plc, a public limited company registered in the United Kingdom. This is the smallest and largest company to consolidate the company's financial statements. A copy of the latest financial statements can be obtained from the Registrar of Companies, Cardiff.

21. GOVERNMENT ASSISTANCE

In response to Covid-19, the company took early and decisive cash preservation measures across the business including deferral of tax payments and seeking reductions in business rates as a result of UK government support during the period stores were closed.

Government grants in relation to the UK's Coronavirus Job Retention Scheme (CJRS) represent a value of £65,000.

Government grants are not recognised until there is reasonable assurance that the company will comply with the conditions attached to them and that the grants will be received.

SUPERGROUP INTERNET LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 25 APRIL 2020

21. GOVERNMENT ASSISTANCE (continued)

Government grants are recognised in profit or loss on a systematic basis over the periods in which the company recognises as expenses the related costs for which the grants are intended to compensate. The value is presented within other operating income.

22. SUBSEQUENT EVENTS

Refinancing

On 10 August 2020, the Group entered into a new financing facility with existing lenders, HSBC and BNPP in the form of a new Asset Backed Lending Facility ("ABL Facility") which is up to £70m, with a term until January 2023 with amended covenants. This ABL Facility replaces the existing revolving credit facility that the Company had in place following the breach of non-financial covenants in respect of the timing of submission of subsidiary statutory accounts. The RCF was due to expire in January 2022.

The new facility is subject to a number of financial covenants and the borrowing base will vary throughout the year dependent on the level of the Company's eligible inventory and receivables. The covenants outlined in this agreement include specific EBITDAR (earnings before interest, tax, depreciation, amortisation and rent) and Fixed charge cover (earnings before interest and tax over fixed charges) to be achieved on specified dates throughout the year. Additionally, the facility needed to be undrawn for 5 successive days in January 2021. The EBITDAR covenant is calculated on an internal budget basis.

Restructuring

In June 2020, it was announced that the Group would undergo a restructuring programme which included redundancies in order to make the Group fit for the future. This resulted in investing in certain areas of the Group whilst changing the structure and reporting lines in other areas of the business. This is expected to result in reduced overhead staff costs by around 20% representing a £12m annualised cost saving, with the changes impacting around 10% of Group staff, including those employed by SuperGroup Internet Limited.

Brexit

The transition period following the UK's withdrawal from the European Union came to an end on 31 December 2020. We are now following the requirements of the EU-UK Trade and Cooperation Agreement, which was provisionally signed on 30 December 2020.

Further details on the impact of Brexit are disclosed in the Strategic Report.

FSP Scheme

The maturity date of the FSP scheme was 30 September 2020. As outlined in note 11, the Founders were due to transfer into a fund 20% of their gain from any increase in the group's share price over a threshold of £18.

The market value of the shares was calculated as the average price of a Superdry Plc share over the 20 dealing days prior to the maturity date (30 September 2020).

When calculated, the market value of the shares did not meet the minimum threshold of £18 and therefore there is nothing to pay out on the FSP scheme.

FRS 102 stipulates that there is no adjustment to the Statement of profit or loss where the non-payout is due to a market vesting condition, and so there is no financial impact of this non-payout in the FY21 financial accounts.

SUPERGROUP INTERNET LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 25 APRIL 2020**

22. SUBSEQUENT EVENTS (continued)

Coronavirus and impact to trade

On 31 October 2020 the UK Government announced a second national lockdown for England in response to the Covid-19 pandemic to last from 4 November 2020 to 2 December 2020. As part of this lockdown, non-essential retailers were required to close, including the Group's store estate across England. This followed similar measures affecting the store estate in Wales and Northern Ireland.

From December onwards there have been a series of additional tier-based and national lockdown measures across the UK and EU markets, as well as wider factors affecting open stores, such as social distancing measures, and broader economic and health concerns.

The directors expect a significant negative impact on group consumer demand, at least in the short term. These regional lockdowns impacted group trading in UK, France, Belgium and Ireland, with temporary store closures leading to 50% of available trading days lost in November and 25% of available trading days lost in December.

While these continued lockdowns have worsened the immediate trading environment, the subsequent announcement of a number of effective vaccines has improved the medium-term outlook, though we remain cautious on the trading, operational and financial impacts.

These ongoing changes to the trading environment as a result of the Covid-19 pandemic are considered to be non-adjusting subsequent events for the purposes of these financial statements, as at the balance sheet date the prevailing view that a "second wave" lockdown appeared unlikely.

The implications to group trading from the continuing lockdown and social distancing measures have been considered in the company's going concern assessment. The potential impact of coronavirus on the valuation of certain assets is also disclosed in the sensitivities in Note 4.