Registered number: 07139044

# SUPERGROUP INTERNET LIMITED

## ANNUAL REPORT AND FINANCIAL STATEMENTS

## FOR THE PERIOD ENDED 28 APRIL 2018

## SUPERGROUP INTERNET LIMITED

## COMPANY INFORMATION

| | |
|---|---|
| **DIRECTORS** | Euan Sutherland<br>Nick Wharton (resigned 10 July 2018)<br>Edward Barker (appointed 9 May 2018)<br>Simon Callander (appointed 9 May 2018) |
| **REGISTERED NUMBER** | 07139044 |
| **REGISTERED OFFICE** | Unit 60<br>The Runnings<br>Cheltenham<br>Gloucestershire<br>GL51 9NW |
| **INDEPENDENT AUDITOR** | Deloitte LLP<br>Statutory Auditor<br>Four Brindley Place<br>Birmingham<br>B1 2HZ |

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## DIRECTORS' REPORT
## FOR THE PERIOD ENDED 28 APRIL 2018

The directors present their report and the audited financial statements for the period ended 28 April 2018.

### RESULTS AND DIVIDENDS

The profit for the financial period amounted to £2,663,000 *(Restated 2017: £5,545,000)*. Whilst turnover has increased by 23.7%, driven by the continuing strong performance of the wider group's Ecommerce business, operating costs have increased during the year at a higher rate. This is for a number of reasons: the introduction of new employee share award schemes (see note 10), the impact of foreign exchange rate movements on foreign currency bank balances, the introduction of free returns to online customers in certain jurisdictions, and an investment in more agency labour to fulfil increased orders over the peak season.

This year has seen further significant investment with £3,848,000 *(2017: £2,506,000)* invested into tangible and intangible assets. This is partially related to fulfilment of Ecommerce orders from a new European distribution centre, which will also have additional associated operating costs.

The directors have recommended and paid a dividend of £10,000,000 *(2017: £10,000,000)*. No further dividends, subsequent to the period end have been proposed.

### FUTURE DEVELOPMENTS

The external commercial environment is expected to remain competitive in 2018/19 as the retail market remains challenging. However, the directors remain confident that the company will maintain the current level of performance in the future and we see the potential for a year of future 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 144 to 148 of the group's Annual Report.

### DIRECTORS

The directors who were in office during the period and up to the date of signing the financial statements, unless otherwise stated, were:

Euan Sutherland
Nick Wharton (resigned 10 July 2018)
Edward Barker (appointed 9 May 2018)
Simon Callander (appointed 9 May 2018)

### 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 includes those of the company, are disclosed on pages 34 to 35 of the group's Annual Report which does not form part of this report.

## 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 period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 the 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

The financial statements have been prepared on the basis that the company is a going concern. In arriving at their decision to prepare the financial statements on a going concern basis the directors have reviewed the company's forecasts over a period of 12 months from the approval of the financial statements.

The directors have received written representation from Superdry Plc, the ultimate parent company and controlling party of SuperGroup Internet Limited, that it will provide financial support to SuperGroup Internet Limited as necessary to enable SuperGroup Internet Limited to meet its liabilities as they fall due. This support is effective for twelve months from the date of signing the financial statements for the company for the period ended 28 April 2018.

In January 2019, a revolving credit facility of up to £70m was arranged by the Group, further details of which can be found in note 23.

The business review of the year, together with the principal risks and uncertainties that the business faces, are outlined in the Strategic Report.

## DIRECTORS' REPORT (continued)
## FOR THE PERIOD ENDED 28 APRIL 2018

### 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
- the 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.

### APPOINTMENT OF AUDITOR

Deloitte LLP were appointed by the directors to audit the financial statements for the year ended 28 April 2018 and have expressed their willingness to accept re-appointment.

This report was approved by the board on 28 January 2019 and signed on its behalf.

Ed Barker

**Edward Barker**
Director
Unit 60
The Runnings
Cheltenham
Gloucestershire
GL51 9NW

# STRATEGIC REPORT
# FOR THE PEDIOD ENDED 28 APRIL 2018

## INTRODUCTION

The directors present their strategic report for SuperGroup Internet Limited for the period ended 28 April 2018.

## BUSINESS REVIEW

The results for the company show a profit before taxation of £4,015,000 *(Restated 2017: £7,428,000)* for the year. Turnover for the year was £160,574,000 *(Restated 2017: £129,813,000)* which was driven by the continued popularity of the Superdry brand and product offering.

The company has no net debt and cash reserves of £15,684,000 *(2017: £44,569,000)*. The company has net assets of £18,869,000 *(Restated 2017: £25,727,000)*.

## 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 51 to 59 of the group's Annual Report which does not form part of this report. This includes the risks surrounding Brexit.

## 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 retail segment of Superdry Plc, which includes the company, is discussed on page 47 of the group's Annual Report which does not form part of this report.

This report was approved by the board on 28 January 2019 and signed on its behalf.

Ed Barker

**Edward Barker**
Director

## 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 28 April 2018 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 23.

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 Financial Reporting Council's (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.

**Conclusions relating to going concern**
We are required by ISAs (UK) to report in respect of the following matters where:
- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

**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.

## INDEPENDENT AUDITOR'S REPORT
## TO THE MEMBER OF SUPERGROUP INTERNET LIMITED (continued)

**Other information (continued)**
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.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SUPERGROUP INTERNET LIMITED (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 member, 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 member those matters we are required to state to it 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 member, for our audit work, for this report, or for the opinions we have formed.

Rebecca Drew

Rebecca Drew (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham
28 January 2019

## STATEMENT OF PROFIT OR LOSS
## FOR THE PERIOD ENDED 28 APRIL 2018

| | Note | Period ended 28 April 2018 £000 | Restated Period ended 29 April 2017 £000 |
|---|---|---|---|
| **TURNOVER** | 5 | **160,574** | 129,813 |
| Cost of sales | | **(82,963)** | (68,736) |
| **GROSS PROFIT** | | **77,611** | 61,077 |
| Administrative expenses | | **(73,603)** | (53,649) |
| **OPERATING PROFIT** | 6 | **4,008** | 7,428 |
| Interest receivable and similar income | 8 | **8** | - |
| Interest payable and similar expenses | 8 | **(1)** | - |
| **PROFIT BEFORE TAXATION** | | **4,015** | 7,428 |
| Tax on profit | 9 | **(1,352)** | (1,883) |
| **PROFIT FOR THE FINANCIAL PERIOD** | | **2,663** | 5,545 |

The notes on pages 11 to 25 form part of these financial statements.

Details of the prior period restatement can be found in note 20.

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

The company had no other comprehensive income in the 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**
**REGISTERED NUMBER: 07139044**

## STATEMENT OF FINANCIAL POSITION
## AS AT 28 APRIL 2018

| | Note | £000 | 28 April 2018 £000 | £000 | Restated 29 April 2017 £000 |
|---|---|---|---|---|---|
| **NON-CURRENT ASSETS** | | | | | |
| Intangible assets | 11 | | **39,905** | | 40,525 |
| Tangible assets | 12 | | **686** | | 144 |
| | | | **40,591** | | 40,669 |
| **CURRENT ASSETS** | | | | | |
| Inventories | 13 | **5,488** | | 3,502 | |
| Debtors | 14 | **144,437** | | 4,384 | |
| Cash and cash equivalents | | **15,684** | | 44,569 | |
| | | **165,609** | | 52,455 | |
| **CURRENT LIABILITIES** | | | | | |
| Creditors: amounts falling due within one year | 16 | **(187,331)** | | (67,397) | |
| **NET CURRENT LIABILITIES** | | | **(21,722)** | | (14,942) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | | **18,869** | | 25,727 |
| **NET ASSETS** | | | **18,869** | | 25,727 |
| **EQUITY** | | | | | |
| Called up share capital | 18 | | **-** | | - |
| Retained earnings | | | **18,869** | | 25,727 |
| **TOTAL EQUITY** | | | **18,869** | | 25,727 |

The financial statements on pages 8 to 25 were approved by the Board of Directors and authorised for issue on 28 January 2019 and signed on its behalf by:

Ed Barker

**Edward Barker**
Director

The notes on pages 11 to 25 form part of these financial statements.

Details of the prior period restatement can be found in note 20.

## STATEMENT OF CHANGES IN EQUITY
## FOR THE PERIOD ENDED 28 APRIL 2018

| | Called up share capital | Retained earnings | Total equity |
|---|---|---|---|
| | £000 | £000 | £000 |
| **At 30 April 2016** | - | 30,182 | 30,182 |
| Dividends paid (note 19) | - | (10,000) | (10,000) |
| Restated total comprehensive income and profit for the financial period | - | 5,545 | 5,545 |
| **Restated at 29 April 2017** | - | 25,727 | 25,727 |
| Dividends paid (note 19) | - | (10,000) | (10,000) |
| Employee share awards (note 10) | - | 479 | 479 |
| Total comprehensive income and profit for the financial period | - | 2,663 | 2,663 |
| **At 28 April 2018** | - | 18,869 | 18,869 |

Details of the prior period restatement can be found in note 20.

## 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 years presented, unless otherwise stated.

### 3.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by *financial instruments recognised at fair value*.

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 weeks ended 28 April 2018 ('2018'), whilst the prior period is for the 52 weeks ended 29 April 2017 ('2017').

### 3.2 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.3 Going concern

The directors have received written representation from Superdry Plc, the ultimate parent company and controlling party of SuperGroup Internet Limited, that it will provide financial support to SuperGroup Internet Limited as necessary to enable SuperGroup Internet Limited to meet its liabilities as they fall due. This support is effective for twelve months from the date of signing the financial statements for the company for the period ended 28 April 2018.

### 3.4 Revenue recognition

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

Revenue from the provision of the 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 within 28 days.

### 3.5 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. 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. 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 |

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.

### 3.6 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:

| | | |
|---|---|---|
| Furniture, fixtures and fittings | - | 5-7 years on a straight-line basis |
| Computer equipment | - | 3-5 years on a straight-line basis |
| Leasehold property | - | 5-7 years on a straight-line basis |

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.7 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.

### 3.8 Deferred taxation

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 assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

### 3.9 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.

### 3.10 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.11 Financial instruments

*Financial Assets:*

Basic financial assets, including trade and other debtors 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.

*Financial Liabilities:*

Basic financial liabilities, including trade and other creditors and loans from fellow group companies 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.12 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.

### 3.13 Cash and cash equivalents

Cash and cash equivalents includes 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.

### 3.14 Share capital and reserves

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.

Retained earnings reflects the accumulated profits and losses of the Group.

### 3.15 Distributions to equity holder

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

### 3.16 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 in the company financial statements.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.17 Employee benefits

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

(i) *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.

(ii) *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 show in accruals in the Statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

### 3.18 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.

### 3.19 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 of 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 and loss, with a corresponding adjustment to equity over the remaining vesting period.

## 4. CRITICAL ACCOUNTING JUDGEMENTS

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.

Management consider that there are no critical judgements or estimates that would have a significant risk of resulting in a material adjustment to the amounts recognised in the financial statements.

## 5. TURNOVER

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

All turnover arose within the United Kingdom. By destination, 57% *(Restated 2017: 59%)* 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):

| | **2018** | Restated 2017 |
|---|---|---|
| | **£000** | £000 |
| Wages and salaries | **5,827** | 2,881 |
| Social security costs | **375** | 302 |
| Other pension costs | **137** | 108 |
| | **6,339** | 3,291 |

| | **2018** | 2017 |
|---|---|---|
| | **£000** | £000 |
| Difference on foreign exchange | **1,043** | (1,429) |
| Amortisation of intangible fixed assets (note 11) | **3,788** | 3,178 |
| Depreciation of tangible fixed assets (note 12) | **138** | 142 |
| Inventory recognised as an expense | **78,167** | 62,161 |
| Reversal of inventory (included in 'cost of sales') | **(720)** | (344) |

Auditor's remuneration of £24,000 *(2017: £23,000)* for SuperGroup Internet Limited has been borne by Superdry Plc, a related party, and is not recharged to this entity.

Amortisation is recognised within administrative expenses.

## 7. EMPLOYEES AND DIRECTORS

The average monthly number of employees, including the directors, during the period was as follows:

| | 2018 | 2017 |
|---|---|---|
| | No. | No. |
| Administration | 105 | 85 |

The emoluments of the directors are paid by the parent company which makes no recharge to the company. They are all 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. Their total emoluments are included in the aggregate of directors' emoluments in the financial statements of the parent company.

## 8. INTEREST RECEIVABLE AND SIMILAR INCOME

| | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| **Interest receivable and similar income** | | |
| Other interest receivable | 8 | - |
| **Interest payable and similar expenses** | | |
| Other interest payable | (1) | - |
| Net interest income | 7 | - |

## 9. TAX ON PROFIT

| | 2018 | Restated 2017 |
|---|---|---|
| | £000 | £000 |
| (i) **Analysis of tax charge in the period** | | |
| **Current tax** | | |
| UK corporation tax charge on profit for the period | 1,406 | 2,068 |
| Adjustments in respect of prior periods | (44) | (110) |
| **Total current tax** | 1,362 | 1,958 |
| **Deferred tax** | | |
| Recognition of deferred tax previously not recognised | - | (69) |
| Origination and reversal of timing differences | (11) | (2) |
| Impact of change in tax rate | - | (4) |
| Adjustments in respect of prior periods | 1 | - |
| **Tax on profit** | 1,352 | 1,883 |

## 9. TAX ON PROFIT (continued)

### (ii) Reconciliation of tax charge

The tax assessed for the period is higher *(2017: higher)*than the standard rate of corporation tax in the UK of 19.00% *(2017: 19.92%)*. The differences are explained below:

| | 2018 £000 | Restated 2017 £000 |
|---|---|---|
| Profit before taxation | **4,015** | 7,428 |
| Profit before taxation multiplied by standard rate of corporation tax in the UK of 19.00% *(2017: 19.92%)* | **763** | 1,480 |
| Effects of: | | |
| Recognition of deferred tax previously not recognised | **-** | (69) |
| Remeasurement of deferred tax – change in the UK tax rate | **-** | (4) |
| Expenses not deductible for tax purposes | **632** | 586 |
| Adjustments in respect of prior periods | **(43)** | (110) |
| **Tax charge for the period** | **1,352** | 1,883 |

The standard rate of UK corporation tax reduced from 20% to 19% on 1 April 2017, therefore, the effective tax rate applied is 19.00% *(2017: 19.92%)*.

The 17% rate of UK corporation tax (effective from 1 April 2020) was substantively enacted on 6 September 2016. Included within the prior period tax charge is £4,000 which relates to the impact of the tax rate change on deferred tax assets held on the Statement of financial position.

## 10. 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 85,956. None of the shares were exercisable at the period end date.

A charge of £325,000 has been recorded in the Statement of profit or loss for the PSP.

## 10. EMPLOYEE SHARE AWARDS (continued)

### (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 will run from October 2017 to 30 September 2020. 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.

The gain to be transferred into 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 £154,000 has been recorded in the Statement of profit or loss for the FSP.

## 11. INTANGIBLE ASSETS

| | Website and software £000 | Goodwill £000 | Total £000 |
|---|---|---|---|
| **Cost** | | | |
| At 30 April 2017 | 3,586 | 58,740 | 62,326 |
| Additions | 3,168 | - | 3,168 |
| At 28 April 2018 | 6,754 | 58,740 | 65,494 |
| **Accumulated amortisation and impairment** | | | |
| At 30 April 2017 | 793 | 21,008 | 21,801 |
| Charge for the period | 850 | 2,938 | 3,788 |
| At 28 April 2018 | 1,643 | 23,946 | 25,589 |
| **Net book value** | | | |
| At 28 April 2018 | 5,111 | 34,794 | 39,905 |
| At 29 April 2017 | 2,793 | 37,732 | 40,525 |

## 12. TANGIBLE ASSETS

| | Leasehold property £000 | Furniture, fixtures and fittings £000 | Computer equipment £000 | Total £000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 30 April 2017 | 94 | 196 | 506 | 796 |
| Additions | 232 | 276 | 172 | 680 |
| At 28 April 2018 | 326 | 472 | 678 | 1,476 |
| **Accumulated depreciation** | | | | |
| At 30 April 2017 | 53 | 141 | 458 | 652 |
| Charge for the period | 24 | 52 | 62 | 138 |
| At 28 April 2018 | 77 | 193 | 520 | 790 |
| **Net book value** | | | | |
| At 28 April 2018 | 249 | 279 | 158 | 686 |
| At 29 April 2017 | 41 | 55 | 48 | 144 |

## 13. INVENTORIES

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Finished goods and goods for resale | 5,488 | 3,502 |

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 impairment of £530,724 *(2017: £262,129)*.

## 14. DEBTORS

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Trade debtors | 3,698 | 2,625 |
| Amounts owed by group undertakings | 135,010 | 1,190 |
| Other debtors | 5,091 | 2 |
| Prepayments and accrued income | 552 | 492 |
| Deferred tax asset (note 15) | 86 | 75 |
| | 144,437 | 4,384 |

Amounts owed by group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. No amounts accrue interest.

Prepayments and accrued income include £22,874 *(2017: £10,004)* of prepaid rent and rates.

## 15. DEFERRED TAX ASSET

| Deferred tax asset | 2018 £000 | 2017 £000 |
|---|---|---|
| At beginning of period | (75) | - |
| Profit and loss charge – recognition of deferred tax previously not recognised | - | (69) |
| Profit and loss charge – impact of change in tax rate | - | (4) |
| Profit and loss charge – current period movement | (11) | (2) |
| At end of period | (86) | (75) |

The provision for deferred taxation is made up as follows:

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Accelerated capital allowances | (60) | (75) |
| Temporary timing differences | (26) | - |
| | (86) | (75) |

There are no unused tax losses or unused tax credits.

Some of the deferred tax asset, relating to reversing timing differences on tangible fixed assets can also be expected to reverse in the next year.

## 16. CREDITORS:
**Amounts falling due within one year**

| | 2018 £000 | Restated 2017 £000 |
|---|---|---|
| Trade creditors | 3,550 | 4,038 |
| Amounts owed to group undertakings | 179,923 | 56,612 |
| Corporation tax | 1,158 | 2,068 |
| Other taxation and social security | 101 | 1,838 |
| Other creditors | 32 | 18 |
| Accruals and deferred income | 2,567 | 2,823 |
| | 187,331 | 67,397 |

The company is party to an unlimited cross-guarantee with the other group entities.

Amounts owed to group undertakings are unsecured and repayable on demand and no security is held over these balances. No amounts accrue interest.

## 17. FINANCIAL ASSETS AND LIABILITIES

| Financial assets held at amortised cost | 2018 £000 | 2017 £000 |
|---|---|---|
| Cash and cash equivalents | 15,684 | 44,569 |
| Trade debtors | 3,698 | 2,625 |
| Amounts owed by group undertakings | 135,010 | 1,190 |
| At end of period | 154,392 | 48,384 |

| Financial liabilities held at amortised cost | 2018 £000 | Restated 2017 £000 |
|---|---|---|
| Trade creditors | 3,550 | 4,038 |
| Amounts owed to group undertakings | 179,923 | 56,612 |
| Other creditors | 32 | 18 |
| Accrued expenses | 2,567 | 2,823 |
| At end of period | 186,072 | 63,491 |

The company uses financial instruments comprising cash and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to finance the company's operations.

## 18. CALLED UP SHARE CAPITAL

| | 2018 £000 | 2017 £000 |
|---|---|---|
| **Issued and fully paid** | | |
| 2 *(2017: 2)* ordinary shares of £1 each | - | - |

## 19. DIVIDENDS PAID

| | 2018 £000 | 2017 £000 |
|---|---|---|
| **Recommended and paid during the year** | | |
| On ordinary share capital | 10,000 | 10,000 |

## 20. PRIOR PERIOD RESTATEMENT

Stores operated by C-Retail Limited, a related party, accept returns from customers where the original sale is made by SuperGroup Internet Limited. The financial statements for SuperGroup Internet Limited for the year ended 29 April 2017 do not recognise these returns in the reported turnover figure. These returns have subsequently been recharged by C-Retail Limited to SuperGroup Internet Limited and, in order to recognise this recharge, the prior period figures have been restated.

This restatement has impacted the following lines in the Statement of profit or loss: turnover (£2,643,000), cost of sales (£1,399,000) and tax on profit (£248,000). It has also impacted the Statement of financial position through: amounts owed to group undertakings (£1,244,000) and corporation tax payable (£248,000).

## 21. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

On 8 January 2018, SuperGroup Plc changed its name to Superdry Plc. At 28 April 2018, 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 registered address: Unit 60, The Runnings, Cheltenham, GL51 9NW. Consolidated group financial statements are prepared by Superdry Plc.

## 22. RELATED PARTY TRANSACTIONS

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

## 23. SUBSEQUENT EVENTS

In January 2019, a revolving credit facility of up to £70m was arranged by DKH Retail Ltd (a related party) and Superdry Plc on behalf of the Group. This is to assist planning for the longer term and to accommodate peak working capital requirements, in recognition of the continued growth of the Group's Wholesale operation and changes to inventory flows reflecting the increasingly global nature of the brand.