

# 11 Audit Committee Report

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

## Role and responsibility

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

The principal functions of the Audit Committee are to:

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

The terms of reference of the Audit Committee are available at [www.supergroup.co.uk](http://www.supergroup.co.uk)

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## Committee membership

Steven Glew is Chairman of the Audit Committee and the other Audit Committee members are Indira Thambiah and Ken McCall. All of the Audit Committee members are Non-executive Directors and the Board considers them all to be independent. As per the Combined Code, the Chairman has relevant financial experience. The Audit Committee will meet at least four times per year and further as necessary to fulfil its function effectively. By invitation of the Chairman, the Group Non-executive Chairman, the Chief Executive Officer, Group Finance Director, Divisional Finance Directors, Head of Business Assurance, the acting Head of Internal Audit (outsourced with KPMG), other senior managers and the external auditors may also attend Audit Committee meetings. The Group Finance Director attended all meetings during the year. The role of Audit Committee Secretary is fulfilled by the Company Secretary.

At least once a year the Committee meet separately with the external auditors and the acting Head of Internal Audit without management present.

## Committee activities

The Audit Committee has met four times during the year and reports of these meetings were provided to the subsequent Board meetings.

The principal matters under consideration are set out as follows:

### Risk management and internal control

The Audit Committee has reviewed and discussed with management the Group's process, evaluation and assessment of its internal controls and management of risk (including financial, operational, technical and compliance risks), focusing on effectively managing major risks to the Group. The review covered all material controls (as set out in C2.1 of the Code). During the year, KPMG Internal Audit Services were appointed by the Audit Committee to develop and deliver an effective internal audit plan for the Group. There is now a comprehensive Risk Register in place within the Group and an Internal Control framework. These are used by the Executive Directors as a tool to assist with decision making.

### Fraud and whistleblowing

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

### Financial reporting

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

### External audit

The Audit Committee reviewed the audit strategy and the outcome and findings of the annual external audit. It assessed the independence of the external auditors and concluded that PricewaterhouseCoopers LLP were independent. In addition, the Audit Committee approved the scope and fees for the external audit. The Audit Committee confirmed that where PricewaterhouseCoopers LLP provided non-audit services their objectivity was not compromised and that the policy on the use of auditors for non-audit work had been adhered to. The Audit Committee has recommended the reappointment of PricewaterhouseCoopers LLP for the next financial year.

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## Internal audit

The work of internal audit has focused on the areas of greatest risk to SuperGroup Plc, as determined by management's risk identification and assessment processes as validated by the Executive Directors. The output from this process is summarised in an audit plan which is approved by the Board and Audit Committee, and updated on a regular basis.

The Head of Internal Audit reports to the Group Finance Director and the Chairman of the Audit Committee. In addition to attending two of the Audit Committee meetings, the acting Head of Internal Audit has attended the Executive Leadership team meetings and has reported regularly on internal audit reviews to Executive management during the year.

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

## Non-audit work

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

However, the committee has approved the following exceptions:

- the preparation and filing of corporation tax returns, providing these follow the external auditors sign-off of the statutory accounts;
- due diligence work associated with business acquisitions;
- advice on tax matters in connection with the evolving corporate structure to support the growth of the Group, provided the engagement team is separate to the audit engagement team; and
- specific advice on matters such as VAT, and employment taxes, where the engagement team is separate to the audit engagement team, and prior approval has been granted by the committee.

The committee has reviewed and agreed the non-audit services provided by the external auditors, together with the associated fees, and is satisfied that these did not prejudice the external auditors' independence.

### Steven Glew

Audit Committee Chairman  
4 August 2011





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